



Daily Report

China

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Daily Report

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10 November 1992

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General

'Peaceful Resolution' of Border Disputes Viewed

OW0911065392 Beijing XINHUA in English 0640
GMT 9 Nov 92

[Text] Beijing, November 9 (XINHUA)—China remains committed to a peaceful resolution of border disputes and other issues left from history with the neighboring countries, in opposition to the use of force and threat of force under any circumstances, two senior diplomats restated here today.

Chinese Vice-Foreign Minister Liu Huaqiu and Director of the Foreign Ministry's Policy Research Department Yang Chengxu made the restatement in a signed article in today's "PEOPLE'S DAILY," [RENMIN RIBAO] which is entitled "Strive To Ensure a Long-Term Peaceful International Environment."

China will further consolidate and develop the good-neighborly and friendly relations with the surrounding countries, the article says. "In this regard, China has shown full sincerity coupled with actions."

In order to strengthen such good-neighborly friendship and continue promoting regional peace and stability, the Chinese Government has reiterated its commitment to and has been working for a peaceful settlement of the border disputes and other issues left from history with the neighboring countries, standing against the use of force or threat of force under any circumstances, the article says.

Now, some people overseas attempt to play up the dispute over the islands on the South China Sea and spread rumors about the so-called "threat from China" or China's intention to "fill up the vacuum," the article notes.

China has never violated the sovereignty of other countries or interfered in their internal affairs and it has never threatened any other country. Instead, China has always been against "filling up the vacuum" and it will never do so, the article says.

China has always stood for resolving international disputes through consultations on equal footing, mutual accommodation and mutual understanding, the articles adds.

The islands on the South China Sea have been China's territory in history and China has undisputable sovereignty over them, according to the article.

But considering the realities, however, China has put forward the proposition of settling the issue by peaceful means, shelving disputes and conducting joint exploitation of the islands, the article says, adding "this will help maintain the peace and stability in the region, and it has drawn general appreciation and received understanding from the South East Asian nations."

'Tremendous Achievements' in Foreign Policy

OW0911112392 Beijing XINHUA in English 1114
GMT 9 Nov 92

[Article: "Officials on Creating Peaceful International Environment for China's Modernization Drive"]

[Text] Beijing, November 9 (XINHUA)—Today's leading Chinese newspaper, the PEOPLE'S DAILY [RENMIN RIBAO], carries a lengthy article expounding on the importance of creating a peaceful international environment for China's opening to the outside world and its modernization drive.

The article, contributed jointly by Liu Huaqiu, vice-minister of foreign affairs, and Yang Chengxu, director of the Department of Policy Research under the Ministry of Foreign Affairs, reviews the tremendous achievements in China's foreign policy of independence and peace and their contributions to China's economic reforms and opening to the outside world. It also explains the possibility for continuing to maintain a peaceful international environment and at the same time points to the hidden dangers to the efforts of creating a peaceful environment. But the article expresses the conviction that it is hopeful that international peace will continue through the end of this century and even into the next century.

Excerpts of the Article Follow:

China has experienced a period of big development in its foreign relations since 1979 when China started to carry out the reform and open policies.

China has during this period established diplomatic relations with more than 40 countries, including the United States, Saudi Arabia, Israel and the Republic of Korea. In 1992 alone, China established diplomatic relations with 15 countries, bringing the total number of countries with which China has established diplomatic relations up to 154.

Through exchange of visits by senior officials and exchanges and cooperation through multiple channels and at different levels, China's relations of friendship and cooperation with other countries have developed in breadth and depth.

It is China's consistent policy to develop good-neighborly relations with other countries. The policy manifests itself in the marked improvement in China's relations of friendship and cooperation with its neighbors. The traditional friendship with the Democratic People's Republic of Korea, Pakistan, Bangladesh, Nepal, Myanmar [Burma], Mongolia and the Association of Southeast Asian Nations (ASEAN) has been further enhanced. The relations with Vietnam has been normalized. A border treaty with Laos has been signed, settling the long standing border issue. The exchange of visits by premiers of China and India has further advanced the relations between the two countries.

In 1989, China normalized its relations with the former Soviet Union and went on to maintain and develop normal state relations with the countries of the Commonwealth of Independent States. China and Russia have concluded and ratified an agreement on the eastern section of the Sino-Russian border and reached an agreement on economic relations and trade. Boris Yeltsin, president of the Russian Federation, is scheduled to visit China in December this year.

The relations between China and Japan have developed in an all-round way since the two countries normalized their diplomatic relations 20 years ago. The visits to Japan by Jiang Zemin, general secretary of the Chinese Communist Party, and Wan Li, chairman of the Standing Committee of the National People's Congress, this year and the recent visit to China by Japanese Emperor Akihito have brought Sino-Japanese relations of friendship and co-operation onto a new stage of development.

The establishment of diplomatic relations with the Republic of Korea, and the visit to China by ROK President No Tae-u not long ago have opened up broad prospects for further development of the relations between the two countries and will be of great significance for maintaining peace and stability in northeast Asia and the Asia-Pacific region as a whole.

As China is a member of the Third World, the basic foothold of its foreign policy is to strengthen solidarity and co-operation with the Third World countries.

In recent years, under the new historical conditions in which the world is in for a period of drastic change, the friendly and co-operative relations between China and the Third World countries have been strengthened. There have been more exchanges of visits by senior officials; domains for cooperation have been broadened and mode of cooperation has been diversified.

China has always attached importance to developing relations with the western countries while carrying out a resolute struggle against countries which imposed sanctions upon China and interfered in China's internal affairs.

Chinese leaders have visited Japan, Britain and Italy, and the leaders of the three countries have paid returned visits to China. The relations between China and other western countries have also been normalized.

Although China's relations with the United States met with some serious difficulties, there have still been some improvements and progress. The exchanges and co-operation between China and western countries in the fields of economy, trade, science and technology have embarked on the track of normal development.

In 1991, China's trade totaled a record 22.8 billion U.S. dollars with Japan, 17.32 billion U.S. dollars with western countries, an increase of 11.38 percent over the

previous year, and 14.2 billion U.S. dollars with the United States, up 17 percent.

As a founding member of the United Nations and a permanent member of its security council, China has taken an active part in the international activities on disarmament, arms control, prohibition of chemical weapons, environment and development, and human rights and has played an important role in settling and promoting the settlement of these issues.

China always resolutely opposes hegemonism and power politics, and never seeks hegemonism or sphere of influence. It maintains independence and keeps the initiative in its own hands. It will never form an alliance or establish strategic relations with any other country or bloc of countries; nor will it participate in any military groups. It will persist in developing relations of friendship and cooperation with all countries on the basis of the five principles of peaceful coexistence (mutual respect for territorial integrity and sovereignty, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence), transcending social systems and ideology.

Experience has proved that China's foreign policy of independence and peace falls in with the tide of the world and is conducive to promoting the healthy development of international relations and peace and progress of the world.

Peace and development are the tide of the present-day world and the two major historical missions facing the mankind. Development is the basis for safeguarding peace while peace is the guarantee for promoting development. The two aspects are mutually conditioned, mutually related and mutually supplementary. This is so for the whole world as well as for an individual country.

Since China carried out economic reforms and opened to the outside world, it has realized political stability and economic growth and won a peaceful international environment. This has contributed to the rapid development in its foreign trade which hit 135.7 billion U.S. dollars in 1991 in value terms as against 38.1 billion U.S. dollars in 1980, an increase of 350 percent. It has also contributed to the big influx of foreign capital which amounted to 46 billion U.S. dollars in 1991.

Since the beginning of this year, especially after Deng Xiaoping's talks during his southern China tour earlier this year, China has accelerated the pace of reform and opening to the outside world and made a breakthrough progress in foreign economic relations.

Its foreign trade volume topped 110 billion U.S. dollars in the first nine months of this year, up 18.6 percent over the same period of last year. The Chinese Government approved the establishment of 27,808 foreign-funded enterprises in the January-September period, with a total contractual investment of 30.66 billion U.S. dollars, 3.3 times that of the same period of last year.

All these are the inevitable result of China's efforts to create a peaceful international environment. It has testified to the correctness of the scientific thesis that it is possible to prevent a new world war in this century and in a considerable long period to come in the next century, a thesis advanced by the party Central Committee in the early 1980s following the sizing-up of the strategic situation in the world and the re-assessment of the international situation, especially the problem of war and peace.

At present, the international situation is undergoing drastic changes unparalleled in the modern history of the world. The confrontation between the two superpowers and between the east and the west which had lasted for more than 40 years has come to an end, with the disintegration of one side. The world is developing toward multi-polarization in an accelerated pace. Such changes have provided the opportunity for maintaining world peace and creating a better and peaceful international environment.

We are soberly aware that hegemonism and power politics still exist in the world. Of the issues of peace and development, none has been resolved and some of the contradictions and problems inherent in the world have not yet been solved from the roots while new contradictions and problems have cropped up in some areas. Due to the imbalance of forces, such contradictions and problems as national contradictions, disputes over territories and religious disputes which used to be covered up by the Cold War have surfaced and even developed into violent conflicts in some areas, resulting in new hot spots and local wars. It is actually not so peaceful in the world. With the increase in the unpredictable factors in the changing international situation, new crises and conflicts are likely to occur.

Facing with such international situation, it is necessary for China to continue to consolidate and develop its relations of friendship and cooperation with its neighbors.

At the same time, it should further develop its friendship and cooperation with developing and other countries on the basis of the five principles of peaceful coexistence so as to constantly broaden the space and realms for expanding foreign relations.

There are still problems remaining in the relations between China and some western countries, and this is abnormal. It is both necessary and possible for China to develop relations with these countries, which is conducive to world peace and conform to the interests of each other's countries.

There are still some difficulties in and obstacles to the Sino-U.S. relations. But it conforms to the fundamental interests of the two countries and the development of normal relations is of vital importance in maintaining peace and stability in the Asia-Pacific region and in the world as a whole.

So long as the two sides keep the whole situation in mind, strictly observe the principles of the three communiques concluded by the two sides, they can certainly surmount all difficulties and obstacles and resume and develop normal state relations.

China should take further steps in its reforms and opening up and attract more foreign capital and conduct economic and scientific and technical cooperation and trade with all countries on the basis of equality and mutual benefit and supplying what each other lacks.

It should oppose trade protectionism and unfair deals, unfair and discriminatory moves in the international economic relations.

Its legitimate position of a signatory party to the GATT should be restored as soon as possible, because it will facilitate extensive international cooperation and trade exchanges and facilitate the efforts to promote common prosperity of the world.

China has always opposed arms race and advocated for disarmament and arms control. The principle of fair, rational, overall and balanced disarmament and arms control put forward by China has played a positive role in promoting the healthy development of disarmament in the world.

China's limited development of arms and nuclear weapons is solely for the purpose of self-defence. China's military expenditure is not only far lower than those of big developed countries but also lower than those of some developing countries. It is, in fact, the lowest in the world on the per capita basis. Despite the facts, China took the unitary action of cutting the number of troops by one million in the late 1980s.

Hegemonism and power politics constitute the gravest threat to world peace. In order to prevent conflicts and wars and promote peace and development in the world, it is imperative to take a clear-cut stand and oppose hegemonism and power politics of any description, oppose the invasion of one country by another, and oppose expansion and interference in the internal affairs of other countries so as to establish a peaceful, stable, fair and rational new international order on the basis of the five principles of peaceful coexistence and the United Nations charter and establish a new international relationship characterized by mutual respect, equality, mutual benefit, co-operation and friendly coexistence. This is the basic guarantee for maintaining world peace.

Beijing To Follow World in Economic Development

OW0911122792 Beijing XINHUA in English 1222
GMT 9 Nov 92

[Text] Beijing, November 9 (XINHUA)—Li Lanqing, China's minister of foreign economic relations and trade, said here today that China will develop its

economy in accordance with international practices and based on the spirit of "peace, competition and cooperation."

Li told Charles R. Carlisle, visiting deputy director-general of the General Agreement on Tariffs and Trade (GATT), that China's restoration of contracting status in GATT is beneficial not only to China but also to the entire world.

He said that right now this matter is constantly on the minds of the Chinese people, leading to serious discussions among them. Li held that the restoration of China's contracting status in GATT means a combination of rights and obligations.

Li pointed out that China was ranked 13th in global trade last year and is expected to climb to the 11th position this year. Through hard efforts, China may join the top ten trade nations in the world.

He noted that after China restores its contracting status in GATT, Taiwan can join GATT as a separate Chinese customs region.

On the current U.S.-Europe trade dispute, Li said that there should be no trade war and he hopes that Europe and the U.S. can find an appropriate solution to the problem as soon as possible.

Carlisle said that the current trade dispute between the U.S. and Europe is very serious, which demonstrates the limits of the GATT regime.

He expressed the hope that the Uruguay Round of talks will soon finish so that new regulations can be made. This is very important to China, he added.

He said he hopes that China will resume its status in GATT as soon as possible, since GATT and China are important to each other.

He said that the proposals for a socialist market economy put forward at the 14th National Congress of the Chinese Communist Party are of enormous significance. China's is one of the fastest growing economies in the world now.

The deputy director-general is here to attend an international seminar on GATT as related to China.

Nation Supports Implementing Cartagena Commitment

OW0911223292 Beijing XINHUA in English 2150 GMT 9 Nov 92

[Text] United Nations, November 9 (XINHUA)—Chinese delegate Ren Quan said here today that the Cartagena Commitment, collectively undertaken at the UNCTAD [UN Conference on Trade and Development], must be honored in a serious, balanced and comprehensive manner which will help promote the world economy, particularly that of developing countries.

Cartagena Commitment was the final document adopted at the eighth session of the U.N. Conference on Trade and Development (UNCTAD VIII) when it was held in February at Cartagena, Colombia.

Addressing the second committee (economic and financial) as it discussed trade and development, Ren noted that the new partnership for development put in place at UNCTAD VIII was in the fundamental interest of the member states.

"All countries should be guided by the principle of mutual benefit in tackling the challenges of the 1990s," he said.

On the mandates of the standing committees and ad hoc working groups newly established in the UNCTAD, he said, they should fully reflect the Cartagena spirit, while hoping the organs will soon begin their work.

Ren pointed out that since the 1980s, as the world commodities market continuously deteriorated and the prices for raw materials and primary commodities which are crucial to the developing economies plummeted, many developing countries suffered heavy losses.

"We believe that a sound and consistent policy is needed at both the national and international levels in order to solve the problems in the area of commodities," he continued, if the sound, consistent and workable policy recommendations on the questions of commodities formulated at UNCTAD VIII were fully implemented, many problems will be solved.

He also said that a favorable external economic environment was indispensable for the economic development of developing countries, while calling upon the developed countries and relevant international organizations to provide adequate financial and technical assistance to developing countries for the development of their commodities.

In his speech, Ren urged all the parties concerned to make their best efforts to bring about a successful end to the Uruguay round talks and called upon the international community to take effective measures in supporting island developing countries.

Beijing Mayor on Bidding for Olympics

OW0911043092 Beijing XINHUA Domestic Service in Chinese 0914 GMT 8 Nov 92

[By reporter Fu Xiancheng (1381 7359 2052)]

[Text] Acapulco, Mexico, 7 Nov (XINHUA)—We keep an open mind and learn from others and we are confident, said a delegation of the Beijing 2000 Olympic Games bid committee here when conveying the Chinese people's sincerity and determination to bid for the 2000 Olympic Games to the congress of Olympic associations of various countries and the executive committee of the International Olympic Committee [IOC].

The above was disclosed by Chen Xitong, state councillor and mayor of Beijing Municipality, during a meeting with reporters from XINHUA and other Chinese press units here on the evening of 6 November. Wu Shaozu, minister in charge of the State Physical Culture and Sports Commission, and Beijing Vice Mayor Zhang Baifa also spoke at the meeting. The delegation, led by Chen Xitong, arrived at this beautiful oceanfront city on 3 November to give a report on Beijing's bid for the Olympic Games to the congress of Olympic associations and the IOC executive committee.

Chen Xitong said: Our report, which publicized our preparations and qualifications, has helped deepen friendship and mutual understanding and win support, achieving the expected results.

The major players of Beijing and the bid committee came here in an effort to win sponsorship for the 2000 Olympic Games in Beijing. Members of the delegation worked day and night over the past few days giving reports and speeches at meetings and constantly keeping in touch with personages from various circles in order to publicize the Chinese people's enthusiasm for the Olympic Games. They have won the understanding and support from many friends.

Explaining the Chinese people's sincere desire to sponsor the Olympic Games at the meeting of the congress of Olympic associations and IOC executive committee, Chen Xitong said: "The Chinese people have always endeavored to spread the Olympic spirit, striving to propagate it on their 9.6 million sq km land." "They have created positive conditions and made their share of contributions to hosting the Olympic Games."

According to Chen Xitong, the delegation conveyed the Chinese people's determination and their government's backing for bidding for the games. At a meeting of the IOC executive committee on 6 November, he said: "Our government has on many occasions expressed its support for the bid, pledging to spare no effort to host the games."

"We are very open minded," said Chen Xitong. "We never bring up other's shortcomings because each city has its own advantages and disadvantages." "We are extremely open minded in not attacking others to build ourselves up."

At the congress of Olympic associations, Chen Xitong clearly indicated: "To successfully sponsor the games, we shall study, study, and study once again, the useful experiences of cities having hosted or already having won a bid to host the games. We shall exert ourselves to ensure a good job in various fields according to the provisions of the Olympic charter."

Asked about whether he was confident of winning the bid, he said: "It is rather difficult, but the situation can change at any time as there are many unpredictable

factors." "If we work hard, there will still be hope, and hope means confidence." "Man proposes, but Heaven disposes."

Wu Shaozu said: "The current trip here is the largest drive undertaken by the bid committee. In the past few days, we have worked with all available resources." "We have publicized our friendliness and qualifications, studied how others won a bid, befriended many, and helped them understand and have faith in China."

According to him, the bidding "has gradually entered the final decisive stage." After the current meeting, it is more likely that bidders will "be invited to come here" instead of "IOC officials going out to visit bidding cities." The decision on the host city will be decided later at an IOC meeting in Monaco on 23 September 1993. He added: "As the bidding enters the final stage, our work will become even more arduous."

Zhang Baifa said: "All delegation members have worked assiduously day and night to win honor for our country. We have gone all out to attend meetings during the day and summarize experiences at night, sleeping only three-four hours a day." He added: We should increase publicity because "we do not understand other countries quite well, and they understand us even less." "We must do everything we can at this crucial moment." With a sense of humor, he said: "The Olympic spirit should be popularized first in China, a country with 1.1 billion people and 9.6 million square km of land." "At any rate, it should be our turn this time."

All cities bidding for the 2000 Olympic Games have engaged in a fierce competition during the current meeting of the congress of Olympic associations and IOC executive meeting. The competition will escalate. However, the outcome can only be known in Monaco next year.

United States & Canada

XINHUA Reports on Clinton's Activities

Talks With World Leaders

OW1011020892 Beijing XINHUA in English 0101
GMT 10 Nov 92

[Text] Washington, November 9 (XINHUA)—U.S. President-elect Bill Clinton today spoke with government heads of Germany, Israel and South Africa as part of his efforts to establish contacts with foreign leaders.

In separate telephone conversations, Clinton told German Chancellor Helmut Kohl, Israeli Prime Minister Yitzhaq Rabin and South African President F.W. de Klerk that he hoped to meet with each as soon as possible, said Clinton's spokesman George Stephanopoulos. But no meetings were scheduled.

Clinton and Kohl talked generally about "security and trade issues", the spokesman said.

Clinton assured Rabin of his support for "no delay, no slowing down of the peace process in the the Middle East" during the shift of power from the Bush administration, Stephanopoulos said.

Speaking with de Klerk, "Governor Clinton stressed that there was broad international support" for reducing racial violence in South Africa, the spokesman said.

Last week, Clinton spoke with leaders of Russia, Mexico, Canada, Britain and Italy and with South Africa's Nelson Mandela.

The president-elect also plans to speak this week with heads of government of a number of countries including French President Francois Mitterrand, Greek Prime Minister Constantine Mitsotakis, King Fahd of Saudi Arabia.

"All he wants to do is establish contact," said Stephanopoulos, adding Clinton was avoiding detailed discussions until he takes office in January.

Plans Economic Summit

OW1011020792 Beijing XINHUA in English 2300
GMT 9 Nov 92

[Text] Washington, November 9 (XINHUA)—U.S. President-elect Bill Clinton said today he wants "to bring in some of the brightest people in the country" to discuss economic policy, according to a report reached here from Little Rock, Arkansas.

Clinton said he envisioned a two or three-day summit of business leaders and economists to focus on the economy and allow experts to offer their ideas to him directly.

"There are a lot of very troubling signs in the economy and I think this is what the election was all about," Clinton told reporters after a morning full of meetings with his aides.

In the economic summit, business leaders also will discuss Clinton's proposal for a White House economic security council.

The new council would "give higher visibility, more importance to domestic economic issues," transition director Warren M. Christopher said yesterday. It would be modeled on the National Security Council, which pulls together the disparate elements of the government involved in security issues, including the State and Defense Departments.

Senior Clinton aides said today it was possible, but unlikely, that Clinton could convene an economic summit with business leaders before Thanksgiving.

Holds Transition Talks

OW1011042692 Beijing XINHUA in English 0328
GMT 10 Nov 92

[Text] Washington, November 9 (XINHUA)—President-elect Bill Clinton conferred with key members

of his transition team in Little Rock, Arkansas, today, but aides said it was unlikely that he would make early announcements on cabinet members.

This week's goal was "working on his timetable for the whole transition period," said George Stephanopoulos, spokesman for the president-elect. "Who exactly will be in place at what particular time we don't know yet."

At the governor's mansion in Little Rock, Clinton met with Vice President-elect Al Gore and top aides, including transition director Warren Christopher to discuss transition issues.

Stephanopoulos said the president-elect planned a conference call Tuesday [10 November] with his full transition board and that the group would probably meet in Little Rock next week.

"We're just getting started, remember," a senior aide close to the transition process said, recalling that several past presidents-elect held off major announcements until December.

The ASSOCIATED PRESS reported from Little Rock that Clinton's aides started forming transition "cluster groups" which will develop recommendations in various areas of government policy.

Arkansas' Lieutenant Governor Jim Guy Tucker said he and Clinton had agreed on a state transition schedule but were not ready to provide details due to "a few uncertainties we need to work out on the mechanics of it."

Clinton's senior aides said they believed any transfer of state power was weeks away.

Tianjin Secretary Meets U.S. Medical Delegation

SK0911041292 Tianjin TIANJIN RIBAO in Chinese 31
Oct 92 p 1

[Text] On the evening of 30 October at Yingbin Guesthouse, Tan Shaowen, secretary of the Tianjin Municipal CPC Committee, cordially met with a three-member visiting group, including Dr. Zhou Weixin, an academician of the Institute of Clinical Chemistry under the U.S. Government and director of the California Radiation Immunity Analysis Center, and also held cordial and friendly talks with them. Tan Shaowen fully praised Dr. Zhou Weixin for building a Chinese- and American-funded SRC Medical Examination Center under Tianjin Medical College. He said that we should rely on science and technology and education to promote the economic development. He hoped that both sides would further explore ways for expanding the cooperation spheres.

Responsible persons of Tianjin Medical College were present at the meeting.

Wan Li Meets Canadian Health Official 9 Nov

OW0911124992 Beijing XINHUA in English 1207
GMT 9 Nov 92

[Text] Beijing, November 9 (XINHUA)—Wan Li, chairman of the Chinese National People's Congress (NPC) Standing Committee, met with John Fraser, chairman of the Canada-China Child Health Foundation, and his party here this evening.

Extending welcome to the Canadian visitors, Wan said that China and Canada share no fundamental conflicts of interest, and that the development of bilateral friendly relations is in the interests of the two peoples.

So, it is very necessary to strengthen this relationship, Wan added.

Fraser is also speaker of the House of Commons of Canada. Wan invited him, in the capacity of speaker, to come to visit China again in the future.

Chen Minzhang, Chinese minister of public health, and some senior NPC officials were present at the meeting.

Central Eurasia

Russia Marks Bolshevik Revolution Anniversary

OW0711211992 Beijing XINHUA in English 1614
GMT 7 Nov 92

[Text] Moscow, November 7 (XINHUA)—More than 20,000 people gathered at Manezh Square next to the Kremlin here today to mark the 75th anniversary of the Bolshevik Revolution.

Waving red flags, banners and portraits of Vladimir Lenin and Josef Stalin and shouting slogans such as "Long Live the Bolshevik Revolution," over 20,000 people gathered at the square to mark the anniversary of the Bolshevik Revolution on November 7, 1917.

They gathered near a giant statue of Lenin before marching towards the center of town to lay wreaths at the Lenin Mausoleum just outside the Kremlin walls.

In their speeches at the gathering, representatives of the Communist Party organizations in the Russian capital Moscow called on the laboring people in the former Soviet Union to get united to restore the Soviet Union.

The gathering was organized by the National Salvation Front, which was recently banned by President Boris Yeltsin, and other political organizations.

The anniversary was also celebrated in other major Russian cities and other former Soviet republics.

In Kiev, Ukraine's capital, about 10,000 residents took to the streets this morning to mark the anniversary. They gathered before the Supreme Soviet building, holding portraits of Karl Marx and Lenin. They called for the restoration of the socialist system.

In the Kazakh capital Alma-Ata, about 500 people held a meeting at a square in the downtown to mark the anniversary.

Representatives said at the meeting that the Lenin statues should not be removed and the authorities should set November 7 as an official holiday for the laboring people. After the meeting, they laid wreaths at the giant Lenin statue.

Russian Maritime Delegation Visits Heilongjiang

SK0711132092 Harbin Heilongjiang People's Radio
Network in Mandarin 2300 GMT 6 Nov 92

[Summary] On the afternoon of 6 November at the office of the provincial supply and marketing cooperative, He Shoulun, vice chairman of the provincial people's congress standing committee, met with an eight-member trade delegation sent by a company from the Maritime Kray of the Russian Federation. Lu Shuwen, chairman of the provincial supply and marketing cooperative, was present at the meeting. The delegation visited Harbin at the invitation of the foreign credit and trade company under the provincial supply and marketing cooperative.

During its stay, the delegation extensively held trade cooperation talks with the foreign credit and trade company under the provincial supply and marketing cooperative. Both sides also reached an agreement on mutually establishing offices and cooperatively developing production and processing items. This time, the company also purchased Chinese-made commodities valued at 2.3 million Swiss Francs.

In the past three years, goods valued at nearly 20 million Swiss Francs were delivered between the two sides. Of this, 14.2 million Swiss Francs worth of goods were delivered in the first 10 months of this year.

Northeast Asia

Emperor's Visit Marks 'New Stage' in Relations

OW0911141592 Beijing BEIJING REVIEW in English
No 44, 2-8 Nov 92 pp 4-5

[Text] Japanese Emperor Akihito's historic visit to China marks a new stage in the development of friendly Sino-Japanese relations," said Chinese President Yang Shangkun in Beijing on the arrival of the Emperor on October 23.

At an evening welcoming banquet, Emperor Akihito said: "In the long history of the relationship between our two countries, there was an unfortunate period in which my country inflicted great sufferings on the people of China.

"I deeply deplore this," he said.

When the war came to the end, he said, the Japanese people, "believing with a sense of deep reproach that such a war should never be repeated, firmly resolve to

tread the road of a peaceful nation, and address themselves to national reconstruction."

Yang said, during his toast, that in modern history Sino-Japanese relations went through an unfortunate period that resulted in untold sufferings for the Chinese people.

"The past experience, as long as we don't forget it, can serve as a good guide for the future," said Yang.

He said both Chinese and Japanese have learned from and helped each other in the course of long and friendly exchanges, both having made valuable contributions to Oriental civilization.

During their meeting, Yang told the Emperor that the date of his arrival is very special because on the same day 14 years ago, Deng Xiaoping, then vice-premier, paid a visit to Japan on behalf of the Chinese government during which the two sides exchanged the instruments of ratification for the China-Japan Peace and Friendship Treaty.

He said the Emperor's visit will have a far-reaching influence on increasing mutual understanding and traditional friendship, as well as aiding the development of Sino-Japanese ties.

History has shown time and again that Sino-Japanese friendship is in the fundamental interests of the two countries and peoples, and is conducive to the peace, stability and development of the Asia-Pacific region and the world as a whole, Yang said.

Emperor Akihito said he expects to see further growth of contacts between the two countries and peoples in the future.

On October 24, Chinese Communist Party General Secretary Jiang Zemin and Premier Li Peng met separately with the Emperor. During the meeting, Jiang said: "In our view, Sino-Japanese relations should be conducted by looking to history as an object lesson, looking ahead to the future and cementing friendship from generation to generation."

This is the second time that Jiang and Emperor Akihito have met. Their first meeting was held in Japan during Jiang's visit last April.

Jiang expressed his belief that the visit will promote bilateral relations and co-operation "in a wider and more extensive way."

Li Peng said during his meeting with the Emperor that by his visit to Xian and Shanghai, the Emperor would gain knowledge of both China's ancient culture and its new look after initiating reform and opening to the outside world.

He said the two countries should further strengthen cooperation in the fields of environmental protection, science and technology, and culture.

The visit of Emperor Akihito and his wife Empress Michiko is the first by a Japanese imperial family in the 2,000 years of contact between the two nations. They visited Beijing, Xian and Shanghai, and returned to Japan on October 29.

This visit, marking the 20th anniversary of the normalization of relations between Japan and China, is the Emperor's second overseas trip since he assumed the throne. His first journey was in September 1991, when he traveled to Thailand, Malaysia and Indonesia.

Foreign Policy 'Leaning Closer' to Japan

HK1011033392 Hong Kong THE STANDARD in English 10 Nov 92 pp 1, 5

[Report by S.L. Law]

[Text] In the face of a harsher China policy by Britain and its looming threat in the United States, China plans to sacrifice efforts to receive Japanese war reparations in exchange for closer Sino-Japanese ties, according to Chinese sources.

They said that because of Britain's tough stance over constitutional developments in Hong Kong and an expected harsh policy by President-elect Bill Clinton, China was moving towards a foreign policy leaning closer to northeast Asia, especially Japan.

The new orientation was passed down to various departments, including the Civil Affairs Ministry, the Public Security Ministry and the Taiwan Affairs Office under the State Council, soon after Japanese Emperor Akihito's visit to China.

The sources said the change in attitude meant the committee demanding Japanese war reparations would fail in its bid to register as a legal organisation. The committee, headed by Beijing-based elderly researcher Tong Zeng, was created by a resolution passed in the National People's Congress (NPC) in April.

The committee is being tolerated by the Chinese government because of its NPC origin, according to the sources, despite the somewhat suppressive measures adopted to quell dissent during the Japanese emperor's visit.

But Mr Tong, who was sent to Sichuan province during the Emperor's visit, said he still did not feel any tightening of government policy towards his organisation.

Shandong's Jiang Chunyun Meets Japanese Delegation

SK0511135092 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 3 Nov 92

[Text] Jiang Chunyun, member of the CPC Central Committee Political Bureau and secretary of the Shandong Provincial CPC Committee, with Mr. Hirai Ryu, governor of Japan's Yamaguchi Prefecture, and Mr.

(Kawano Hiroyuki), president of the Yamaguchi Prefecture representative assembly, who came for the activities celebrating the 20th anniversary of the normalization of the diplomatic relations between China and Japan and the 10th anniversary of the establishment of friendly ties between Shandong Province and Yamaguchi Prefecture and to conduct a friendly visit. They met cordially in Jinan on the afternoon of 3 November.

Old friends feel closer when they meet again. During the meeting, Jiang Chunyun and Hirai Ryu held sincere and friendly talks amid a warm atmosphere. Jiang Chunyun said: Today, I am very pleased to meet again with my old friends, Governor Hirai Ryu and President (Kawano Hiroyuki), and friends from Yamaguchi Prefecture. I extend a warm welcome to the governor and president for leading delegations to the province.

He said: At the invitation of the governor, I led the Shandong Province friendship delegation to the prefecture in May this year. We were accorded a warm welcome wherever we went. This fully reflected the sincere friendship and deep feelings between the people of the province and the prefecture. The visit left a deep impression on me and still remains fresh in my memory. At that time, I wholeheartedly wished and believed that Mr. Hirai Ryu, who enjoyed the love and esteem of the people of Yamaguchi Prefecture, who exercised able leadership, and who achieved splendid performance, would be reelected governor. I also wanted to meet my old friends in Jinan again. My wish finally came true. On behalf of the people of Shandong Province, I extended heartfelt congratulation to the governor for being elected the fifth time.

Jiang Chunyun said: During my last visit to the prefecture, I held a discussion with the governor, and we decided to spare no efforts to promote the exchanges and cooperation in four areas between the province and the prefecture. I also asked the prefecture to send a number of personnel with different professional skills and managerial experiences to Shandong to give technological guidance or conduct exchanges on a long- or short-term basis. To do so, Yamaguchi Prefecture established a nongovernmental organization composed of retired personnel—the Yamaguchi Prefecture Experts Volunteer [word indistinct] Association. At our request, it has selected many experienced experts who are waiting to come. On behalf of the Shandong people, I extend sincere thanks for all of the prefecture's efforts. We have also made all the preparations for receiving the experts and ardently hope that they will come to Shandong at an early date to conduct economic and technological exchanges and cooperation.

Jiang Chunyun said: The 14th CPC National Congress just ended. It was a major event that attracted worldwide attention. The congress decided to continue to unswervingly uphold the basic line consisting of one central task and two basic points and to accelerate reform and opening up. Our province is comprehensively studying, publicizing, and implementing the congress guidelines and is also expanding

our measures to accelerate reform and opening up and enlarge the scope of opening up. We should develop the export-oriented economy more actively and effectively. We hope that friends from Yamaguchi Prefecture and the economic, scientific and technological, business circles of Japan will seize this favorable opportunity to invest and build enterprises in Shandong. As long as we further strengthen cooperation and exchanges based on equality and mutual benefit, we will certainly promote the development of the economy and other undertakings of the province and the prefecture.

Hirai Ryu said during the meeting: I am very happy to meet Mr. Jiang Chunyun again today after his visit to Japan last May.

Hirai Ryu expressed warm congratulation to Mr. Jiang Chunyun for being elected a member of the CPC Central Committee Political Bureau and heartfelt pleasure for Shandong's achievements in construction and development.

Hirai Ryu said: To mark the 10th anniversary of the establishment of friendly ties between Yamaguchi Prefecture and Shandong Province, the Yamaguchi Prefecture friendship delegation, representative assembly delegation, and press delegation have come to visit the province. They have been warmly received wherever they went. I extend wholehearted thanks for this.

He said: Yamaguchi Prefecture and Shandong Province have achieved encouraging results in their 10-year exchanges and cooperation in various fields. It is hoped that both sides will further strengthen their relations, especially the cooperation and exchanges in the economic and technological fields.

He said that Yamaguchi Prefecture would make contributions to Shandong's economic development.

Zhao Zhihao, Li Zhen, Ma Zhongcai, Li Chunting, Tan Fude, Dong Fengji, Miao Fenglin, Wang Yuyan, Lu Maozeng, Xie Yutang, and other provincial and Jinan city leading comrades were present at the meeting.

Vice Premier Zhu Rongji Meets Japanese Banker

OW1011100492 Beijing XINHUA in English 0946
GMT 10 Nov 92

[Text] Beijing, November 10 (XINHUA)—Chinese Vice-Premier Zhu Rongji met with Hiroshi Watanabe, president of the Sanwa Bank Ltd. of Japan, and his party here this afternoon.

Ling Zhi, deputy president of the Bank of China, was present at the meeting.

The Japanese banker arrived here Sunday [8 November] as guest of the Bank of China.

Ding Guangen Receives DPRK Party Delegation*OW1011093192 Beijing XINHUA in English 0751
GMT 10 Nov 92*

[Text] Beijing, November 10 (XINHUA)—Ding Guangen, member of the Political Bureau and member of the Secretariat of the Chinese Communist Party (CPC) Central Committee, met with Kim Yang-kon, deputy director of the International Affairs Department of the Central Committee of the Korean Workers' Party, and his party here today.

They had a friendly conversation on promoting the friendly relations between the two countries and the two parties.

Zhu Shanqing, deputy head of the International Liaison Department of the CPC Central Committee, was present at the meeting.

Peasants Visiting ROK Urged To Work Abroad*SK1011062892 Harbin Heilongjiang People's Radio
Network in Mandarin 2200 GMT 9 Nov 92*

[Text] In Suihua city, more than 5,000 peasants have gone abroad to work. The Suihua city government has greatly supported and encouraged peasants of Korean nationality to seize the opportunity to visit relatives in the ROK and work there. By the end of October in (Qinghe) township alone, 103 peasant families had sent family members on visits to relatives in the ROK and each family had one to three people working there. This township has also signed work contracts with the Tianjin Marine Engineering Corporation and the Harbin International Economic and Technological Development Corporation to send 73 young people abroad to fish for corporations. In (Buguang) village of (Qinlao) town of Qingan County, 33 people have left to find work. (Zhao Guanglai), a peasant in (Dengta) Township of Wangkui County, signed a contract with Blagoveshchensk of the Russian Federation to send 50 of the best peasants with vegetable planting skills there to plant vegetables. (Zhao Guanglai) said with confidence that he could earn more than 10,000 yuan in foreign exchange for the state by the end of the year.

Southeast Asia & Pacific**Talks on Cambodia 'Fail' To End 'Deadlock'***BK1011071292 Beijing Radio Beijing in Cambodian
1030 GMT 9 Nov 92*

[Short commentary: "The Informal Talks on Cambodia Fail To Eliminate the Deadlock"]

[Text] An informal consultation on Cambodia was held in Beijing from 7 to 8 November. It failed to reach any consensus on eliminating current major obstacles.

Mr. Alatas, foreign minister of Indonesia and cochairman of the Paris International Conference on

Cambodia [PICC], stated that if the existing problems still could not be solved, the UN Security Council would consider further steps to ensure the implementation of the Paris agreement.

His Royal Highness Prince Norodom Sihanouk, head of state and chairman of the Supreme National Council [SNC] of Cambodia; PICC cochairmen French Foreign Minister Dumas and Indonesian Foreign Minister Alatas, UNTAC [UN Transitional Authority in Cambodia] chief Akashi, important members of various Cambodian parties in the SNC, and delegations of other countries involved attended the Beijing consultation.

The Paris peace agreement on a comprehensive political settlement of the Cambodian problem was signed over a year ago. During all that time, the international community and parties concerned have made a relentless effort to promote this hard-earned peace process. Despite some successes, obstacles to peace have not yet been completely eliminated. The main cause that has again and again stalled this peace process is the serious disagreement between the Party of Democratic Kampuchea [PDK] and UNTAC over two issues. First, the PDK has adamantly insisted that to this moment many Vietnamese special agents have been disguising themselves as soldiers of the Phnom Penh faction's army engaged in fighting the guerrillas, noting that there are now nearly 1 million Vietnamese nationals living in Cambodia. The PDK is firmly opposed to the granting of the rights to vote and to be voted for to these Vietnamese colonists. UNTAC chief Akashi, however, declared that the Vietnamese colonists in Cambodia are simply settlers and should thus be allowed to take part in the general elections in 1993.

Besides, there is the issue of power sharing. Over this question the PDK and UNTAC also have a brazen disagreement with one another. In accordance with the Paris agreement, before the general elections, the SNC is Cambodia's sole legitimate organization and source of authority. However, most of the power in Cambodia at present remains in the hands of the the Phnom Penh faction. This is also one of the major reasons behind the PDK's refusal to disband its army.

During this consultation, each faction explained its respective view on the current situation in Cambodia and the state of the Paris agreement's implementation. No single party really wanted to hold up the implementation of the Paris agreement, but the difficulty lies in how to implement it.

His Royal Highness Prince Norodom Sihanouk said at the talks that he will continue to support the effort of UNTAC in promoting the Cambodian peace process. He said that he will abide by the provisions of the Paris agreement on the Cambodian issue and called on all Cambodian parties to do the same.

Cambodia's Sihanouk Leaves Beijing 10 Nov

OW1011073692 Beijing XINHUA in English 0728
GMT 10 Nov 92

[Text] Beijing, November 10 (XINHUA)—Prince Norodom Sihanouk, head of state and chairman of the Supreme National Council of Cambodia, and Madame Sihanouk left here for Pyongyang by special plane this morning.

They were seen off at the airport by Chinese Vice-Minister of Foreign Affairs Yang Fuchang, and diplomatic envoys of Cambodia and the Democratic People's Republic of Korea to China.

Institute Head Meets Australian Congressmen

OW0911124792 Beijing XINHUA in English 1223
GMT 9 Nov 92

[Text] Beijing, November 9 (XINHUA)—Liu Shuqing, president of the Chinese People's Institute for Foreign Affairs, held talks with a delegation of Australian congressmen here today.

The delegation is led by Senator Chris Schacht, chairman of the Joint Committee for Foreign Affairs, Defense and Trade of the Australian Parliament.

The two sides exchanged views on issues of common interests, an official from the Chinese institute said.

In the evening, Liu hosted a dinner in honor of the delegation.

Qian Qichen Receives Congressmen

OW1011102292 Beijing XINHUA in English 0934
GMT 10 Nov 92

[Text] Beijing, November 10 (XINHUA)—Chinese State Councillor and Foreign Minister Qian Qichen met with a delegation of Australian congressmen here today.

During the meeting, Qian exchanged views on the international situation and issues of common concern with the delegation, which is led by Senator Chris Schacht, chairman of the Joint Committee for Foreign Affairs, Defense and Trade of the Australian Parliament.

The Australian congressmen arrived here November 8 as guests of the Chinese People's Institute for Foreign Affairs. This is the delegation's second visit to China following their first one 14 months ago.

Earlier today, Chinese Vice-Foreign Minister Liu Huaqiu also met with the delegation.

Bank of China Provides Loan to Indonesian Firm

OW0911130292 Beijing XINHUA in English 1223
GMT 9 Nov 92

[Text] Singapore, November 9 (XINHUA)—Bank of China (BOC) Singapore Branch has provided a 12 million U.S. dollars loan to Indonesian company Pt Tanahabang Indah Pratama.

This loan is for funding the construction of Grand Metro Hotel in Jakarta. The four-star hotel, which has 15 storeys and over 400 rooms, is located in the city's business and financial hub.

A spokesman of BOC Singapore Branch told XINHUA that financing loans to local businessmen who invest in China and jointly provide loans to foreign companies just have been made in recent years.

Financing loans made by the BOC Singapore Branch in the first 10 months this year increased 48 percent over the same period in 1991.

Freight Port Planned for Thai Border Area

HK0911095992 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0816 GMT 23 Oct 92

[By reporter Shen Jinle (3088 6651 2867): "Yunnan Province Cooperates With Thailand To Build a Freight Port in the Golden Triangle"]

[Text] It has been disclosed by relevant sources that China's Yunnan Province has recently reached an agreement with Thailand's northern province of Chiang Rai to build a large-scale freight port in the golden triangle area. This freight port will serve as a bridge in the bilateral trade of the two countries. The topographic survey will begin within the year and the construction will be under way next year.

Regarding the bilateral trade between the two countries, the sources also indicated that Yunnan Province has planned to buy 40 tonnes of No. 1 rice from Thailand, while the latter will also import goods from the former, including medicinal supplies, furniture, leather, and jewelry.

In addition, the two countries will also promote tourism in the Mekong River valley on a cooperative basis.

Near East & South Asia

Qian Qichen Meets Iranian Deputy Minister

HK0511144092 Beijing RENMIN RIBAO in Chinese
29 Oct 92 p 4

[XINHUA Report: "Qian Qichen Meets With Visiting Iranian Deputy Minister"]

[Text] Qian Qichen, state councillor and foreign minister, met with Iranian Deputy Minister of Asian-Pacific Affairs Borujerdi at the state guest house in Diaoyutai 27 October. The two sides exchanged views on issues of

common interest. Before the meeting, Vice Foreign Minister Yang Fuchang and Wang Wendong, vice minister of foreign economic relations and trade, held separate talks with Borujerdi on a number of international issues and further development of bilateral relations.

Pakistani News Agency Delegation in Beijing

BK0911162692 Islamabad Radio Pakistan Network in English 1600 GMT 9 Nov 92

[Text] A delegation from the ASSOCIATED PRESS OF PAKISTAN has arrived in Beijing to have talks on strengthening bilateral cooperation in news exchange and technical fields with the Chinese news agency XINHUA. During its stay, the delegation is expected to visit Shanghai, Nanjing, and Shenzhen.

Meets CPC Official

OW1011093592 Beijing XINHUA in English 0825 GMT 10 Nov 92

[Text] Beijing, November 10 (XINHUA)—Ding Guan-gen, member of the Political Bureau and member of the Secretariat of the Chinese Communist Party Central Committee, met with M. Aftab, director-general of the ASSOCIATED PRESS OF PAKISTAN, and his party here today.

Ding said as China and Pakistan are good neighbors, China attaches great importance to bilateral friendship, which has been time-tested.

He noted that China is willing to continue to develop friendly ties with all countries, including Pakistan, on the basis of the Five Principles of Peaceful Coexistence.

Ding said that the XINHUA (NEW CHINA) NEWS AGENCY and the ASSOCIATED PRESS OF PAKISTAN have made positive contributions to the Sino-Pakistani friendship, and that the bilateral friendly exchanges and cooperation are just the concrete expression of such friendship.

He expressed the hope that the friendly relations will be further strengthened, thus contributing to increase the mutual understanding and friendship between the two peoples.

Guo Chaoren, vice-president of XINHUA, was present at the meeting.

Aftab and his party, who arrived here Sunday [8 November] as XINHUA's guests, are scheduled to visit Nanjing, Shanghai and Shenzhen in southern China.

West Europe

Qin Jiwei Addresses News Conference in Turkey

OW1011105392 Beijing XINHUA Domestic Service in Chinese 2115 GMT 6 Nov 92

[By reporter Zheng Jinfa (6774 6855 4099)]

[Text] Ankara, 6 Nov (XINHUA)—General Qin Jiwei, Chinese state councillor and minister of defense, concluded his five-day official visit to Turkey today.

Qin Jiwei spoke at a news conference before he left Ankara: "China and Turkey exchanged views on the international situation and their bilateral relations. The two sides have the strong desire to develop relations and strengthen their cooperation in the national defense industry. This will certainly help bring about further development of the friendly relations between the two countries and their armed forces."

Nevzat Ayaz, Turkish minister of national defense, said: "Turkey and China held talks on developing bilateral relations, in particular in national defense technology. The two sides have reached an agreement on establishing a joint working group for cooperation in national defense of the two countries."

During the visit, Qin Jiwei also met with Turkish Prime Minister Demirel and Chief of General Staff Gures.

Ends Visit, Returns

OW1011073192 Beijing XINHUA in English 0712 GMT 10 Nov 92

[Text] Beijing, November 10 (XINHUA)—General Qin Jiwei, Chinese state councillor and minister of national defense, and his party returned here today after visiting Iran and Turkey.

Qin was greeted at the airport by Chi Haotian, member of the Central Military Commission, and Lieutenant General Zhang Wannian, chief of General Staff of the Chinese People's Liberation Army, as well as Iranian Ambassador to China Taromi-Rad and Turkish Ambassador to China Resat Arim.

'Dispatch' Previews Zhu Rongji's UK Visit

HK1011083292 Hong Kong TA KUNG PAO in Chinese 10 Nov 92 p 2

["Dispatch" by staff reporter Huang Nien-szu (7806 1819 2448): "Zhu Rongji To Visit Britain in Mid-November To Meet With John Major and Douglas Hurd"]

[Text] London, 9 Nov (TA KUNG PAO)—By invitation of the Governments of UK, Finland, Denmark, Sweden, and Norway, Zhu Rongji, vice premier of the Chinese State Council and member of the CPC Political Bureau Standing Committee, will pay an official friendly visit to the five European countries as of 15 November.

According to the schedule, Zhu will visit UK between 15 and 19 November. He will be the highest ranking Chinese official to have visited in recent years.

As revealed by the official media here, Zhu Rongji will meet with British leaders while in Britain. British Prime Minister John Major, Foreign Secretary Douglas Hurd,

Trade and Industry Secretary Heseltine, and so on will have separate meetings and talks with Zhu Rongji.

It is believed that during Zhu Rongji's visit to Britain, the two sides will discuss the current Hong Kong issue because his visit is a direct contact between the high-level leaders from China and Britain. People here have also noticed that Hong Kong Governor Chris Patten will be back in London for consultations at the very time Zhu Rongji is visiting Britain.

According to informed sources here, the Chinese side maintains that the vice premier's visit to Britain is part of the contacts inherent in normal bilateral relations. Both sides wish to improve their relations, though they have been having quite some disagreements lately on the Hong Kong issue, on which China has expressed its principled posture.

Concerned sources quoted a Chinese official here as saying: "We should not let the Hong Kong issue affect Sino-British relations. After all, we cannot discontinue our dialogue just because Hong Kong has a problem."

It is learned that Zhu Rongji will talk with British Foreign Secretary Douglas Hurd on 16 November. That evening, Douglas Hurd will host a banquet in honor of Zhu Rongji. Hong Kong Governor Chris Patten may attend the banquet.

Zhu Rongji has a busy schedule during his visit. Besides meeting with the British leaders, he will also spend quite some time meeting industrial and commercial personalities in Britain and visit some commercial organizations.

It is learned that from 15 to 17 November, Zhu Rongji will be staying in London, visiting the London Stock Exchange and the Bank of England and meeting with members of the Group of 48 of British-Chinese trade. British Industry and Trade Secretary Heseltine will entertain Zhu Rongji at his home.

On the afternoon of 16 November, Zhu Rongji will deliver a speech in London's International Institute for Strategic Studies, apprising the audience of China's reform, opening up, and economic situation.

On 17 November, Vice Premier Zhu Rongji will meet with Overseas Chinese, Chinese visitors in Britain, and people from various walks of life.

On 18 and 19 November, Zhu Rongji will go to Edinburgh and Glasgow, visit British Aerospace in Derbyshire, the British Bonimon [0592 0355 7024] Chemical Industry Company, etc.

French Bank Venture Established in Shanghai

OW0911115992 Beijing XINHUA in English 1106 GMT 9 Nov 92

[Text] Shanghai, November 9 (XINHUA)—The International Bank of Paris and Shanghai, believed to be Shanghai's first bank joint venture, opened here today.

This brings Shanghai's total number of solely overseas-funded and Sino-foreign joint financial organizations to 19.

The new bank, jointly funded by the Shanghai Branch of the Industrial and Commercial Bank of China and the Banque Nationale de Paris of France with a total investment of 60 million U.S. dollars, is Shanghai's largest joint venture in the financial circle.

Shen Ruolei, president of the new bank, said that his bank will provide clients with various services featuring deposits of hard currencies, advance business, remittance, investment, guarantee, import and export settlement according to international practices.

The bank will actively introduce new financial services to take part in the development of the Pudong new area of the city, said the president, adding that it will start businesses in Waigaoqiao Free-Trade Zone next spring and plans to open two branches in Suzhou city of Jiangsu Province and Hangzhou city of Zhejiang Province.

Political & Social

Daily Calls For Upholding Party's Basic Line

OW0911183992 Beijing XINHUA Domestic Service in Chinese 1512 GMT 9 Nov 92

[RENMIN RIBAO 9 November editorial: "Unswervingly Adhere To the Party's Basic Line"]

[Text] Beijing, 9 Nov (XINHUA)—Comrade Jiang Zemin pointed out in his 14th CPC National Congress report: "Experience from the great practices of the past 14 years comes down to one point—that we should unswervingly adhere to the party's basic line using the theory of building socialism with Chinese characteristics as guidance." This completely sums up our basic experience of reform, opening up, and economic construction since the Third Plenary Session of the 11th CPC Central Committee. This has far-reaching great significance for further unifying our thinking, adhering to our course, and building socialism with Chinese characteristics in a better way.

Fundamentally speaking, the reason that the party's basic line is correct is that it is based on an in-depth study and scientific analysis of the major social contradictions in the country at this current stage. It sums up our experiences and lessons over the past 40 years and more since the People's Republic was founded; it is a scientific conclusion drawn from examining the practice of reform and construction over the past 14 years. Therefore, it is realistic, in line with our national conditions and the people's wishes, and reflects the objective law of China's contemporary social development—it is a correct Marxist line. Over the rather long period before the Third Plenary Session of the 11th CPC Central Committee, because of our erroneous assessment of the major social contradictions in the country, political movements were launched one after another, economic construction was repeatedly disrupted, and the people's standard of living rose slowly. Over the past 14 years since the Third Plenary Session of the 11th CPC Central Committee, under the guidance of the party's basic line of "one central task and two basic points," our social prospects suddenly brightened, spectacular scenes began to appear on Chinese soil, social productive forces were unprecedentedly liberated and developed, our overall national strength was further enhanced, and the people's material and cultural life was noticeably improved. China is one of those countries that has achieved the greatest success in modernizing itself; it has drawn great international attention and won wide praise. People see that the divine land of the East is rising and is becoming a force in the international community that people must attach importance to. Hundreds of millions of people of all nationalities have realized from their personal experience that the party's basic line is a lifeline that leads the country to being wealthy and strong, to prosperity, and to happiness. Adhering to this correct line, our country will have a bright future and our socialist cause will have bright prospects.

The key to unswervingly upholding the party's basic line lies in steadfastly adhering to the central task of economic construction. Whether or not we will be able to do this will be a major test in the new historical period for our party organizations at all levels, and for every leading cadre as well. Looking back at history, we can see that there were times when we learned serious lessons by departing from the correct lines we had established. The party's eighth national congress set forth the correct line that the party's major task was to concentrate our efforts on developing social productive forces. However, because we were unable to soberly treat certain international and domestic events occurring at that time and later on, we departed from the central task of economic construction.

Since the Third Plenary Session of the 11th CPC Central Committee was held, especially since 1989, many disturbances have taken place at home and abroad—some were even great political disturbances. However, because our party—particularly Comrade Deng Xiaoping—calmly and correctly handled all sorts of contradictions with rich historical experience and political wisdom, it was assured that our party and state would never divorce their work from the central task of economic construction. Class struggle will continue to exist within certain limits for a long time to come, but whatever storms we may encounter, as long as they are not large-scale invasions by foreign enemies, the policy of regarding economic construction as the central task must never be changed. We should solve whatever problems emerge in the light of actual conditions. Any problems we solve will be to assure the central task of economic construction and to create better conditions for concentrating our efforts on making a success of economic construction. This point should become a firm principle unanimously received by the whole party.

To unswervingly uphold the party's basic line, we are required to handle well the relationship between upholding the four cardinal principles and adhering to the policy of reform and opening up, as well as the relationship between the development of a material civilization and that of the spiritual civilization. We should conscientiously lay equal stress on both tasks and be firm on both issues. This will be a significant ordeal for party organizations at various levels and for all leading cadres. The four cardinal principles are the foundation of the founding of the state, and the policy of reform and opening up is the way to strengthen the country. These two basic points are a powerful force and basic guarantee for the continuous development and upgrading of China's economic construction. Years of practice have shown us that, without adhering to the four cardinal principles, economic construction will lose its political orientation and guarantee and it will be difficult to possess the political unity and stability needed for developing the economy; without launching the policy of reform and opening up, we could not get rid of the systems and concepts fettering the development of productive forces, nor could we invigorate and step up the

pace of economic development, and in the end we would not be able to uphold the four cardinal principles. We should focus on, consciously be subject to, and serve the central task of economic construction in constructing democracy and a legal system, and in developing a spiritual civilization. Meanwhile, economic construction should be supported and guaranteed by the construction of democracy and a legal system, as well as the development of a spiritual civilization—otherwise, economic construction can hardly consolidate its position as the central task. As long as our various tasks in the future are for promoting economic construction and overall social progress, we should proceed with them with perfect assurance. Whenever we find a weak link or problem, we should make a prompt decision and organize our strengths to quickly solve it. To completely and correctly understand and implement the party's basic line, we should stay alert against rightism within the party, especially among leading cadres; however, we should mainly guard against "leftism." Any tendencies that disrupt or affect the policy of regarding economic construction as the central task, and any tendencies that separate upholding the four cardinal principles from adhering to the policy of reform and opening up, or that set one against the other, are wrong.

To unswervingly uphold the party's basic line, we must correctly understand and handle the relationship between social and political stability and economic development. Without taking economic construction as the central task and launching reform, opening up, and economic development, there would be no consolidated unity or stability. Without political unity and stability, reform, opening up, and economic construction could not be launched either. Reform, opening up, economic development, and the guarantee for social and political stability are an organic and internal integration. They closely relate to and promote one another. The whole party and all nationalities around the country should highly cherish and safeguard a political situation characterized by stability and unity and strive to eliminate all factors that are unfavorable to stability and unity, so as to create a better social and political environment for stepping up the pace of reform, opening up, and modernization.

Firmness of conviction comes from arming our thinking and theory. To more self-consciously adhere to the party's basic line, we should earnestly study the documents of the 14th CPC National Congress, study Comrade Deng Xiaoping's writings, conduct in-depth education in the party's basic line, and understand well from the integration of theory with reality the theoretical basis on which this line is formed. Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics integrates basic Marxist principles with contemporary China's reality and the characteristics of our times, and initially answers in a relatively systematic manner for the first time numerous fundamental questions—such as how China, a country with a relatively backward economy and culture, should build, solidify, and develop

socialism. This is Marxism for contemporary China, a truth proven through practice. Only by upholding this theory do we really uphold Marxism. Those localities, departments, and units that understand this theory in depth and comprehend it thoroughly will be able to see the overall situation, firm up their conviction, act with resolve, and continue to open up new situations in reform, opening up, and economic construction. Otherwise, they will have no clear ideas in their minds, will be unable to stand steadfast, and will be unable to survive storms, and it will be very difficult for them to self-consciously and resolutely carry out the party's basic line.

Learning from practice and the masses and summing up historical and new experiences together with the vast numbers of cadres and the masses in the course of practice—thereby continuing to deepen understanding of the party's basic line—is a good way to conduct education on the party's basic line. Why do the masses support and adhere to the party's basic line? It is because they have personally felt from historical comparison and comparison in practical life that this line is in line with reality, has benefited them, and has brought prosperity to the country. Once a theory is proved by practice for the broad masses and is mastered by the broad masses, it will become a tremendous spiritual force. Therefore, leading departments and cadres at all levels should go deep into reality and the masses to conduct investigations and studies so that they can understand our national conditions better and will more actively dedicate themselves to the practice of reform and construction. By so doing, they definitely will be able to more deeply realize that the party's basic line reflects the fundamental interests and common wishes of people of all nationalities, and that it cannot and must not be changed.

The CPC solemnly declared at its own congress: The party's basic line will not change for 100 years. This is the faithful expression of the will and determination of all party members and people of all nationalities in the country. We will hold high this great banner from the beginning through to the end, remove all difficulties and dangers, and march from victory toward greater victories.

Party Reportedly To Purge Anti-Reform Forces

*HK0811065192 Hong Kong CHING PAO in Chinese
No 184, 5 Nov 92 pp 33-35*

[Article by Lu Jen (7627 0086): "The CPC Will Ferret Out Anti-Reform Forces"]

[Text] The 14th CPC National Congress, which concluded on 18 October, put Deng Xiaoping's theory on building socialism with Chinese characteristics into the party constitution and reiterated adherence to the basic line of "one center, two basic points" without change for 100 years. Sources from Beijing revealed that, in order to implement the spirit of the 14th CPC National Congress and establish the authority of Deng Xiaoping's theory to

ensure the smooth progress of reform and opening up, the CPC decided to set off a nationwide upsurge of studying Deng Xiaoping's theory. Apart from carrying out positive education, it will also carry out an ideological screening throughout the party, using the party constitution as the criterion, so that a small number of representative persons who refuse to implement the basic line and who resist and go against the policy and principle of reform and opening up can be investigated and disciplined by the new Central Discipline Inspection Commission and the discipline inspection organs at various levels.

In the years since implementing the policy of reform and opening up, the CPC never openly admitted that there is struggle between reformists and anti-reform forces within the party. This is because, first, the CPC has followed its traditional principle of "maintaining unity, opposing splittism" and, second, the experiment of reform and opening up had not yet been proved to be successful in all fields and Deng Xiaoping's theory and line—which is based on the practice of reform and opening up—had not yet become a complete and perfect system. That is why every time there was confrontation of ideas between the reformists and the anti-reform forces, Deng Xiaoping adopted a moderate policy to avoid conflict. He even urged people "not to dispute." Under such circumstances, no officials, from the top level in the central authorities to the provincial and city levels, would say a word about "struggle," though they understood clearly that certain individuals were posing great obstructions. This has been particularly true since the 1989 student movement, during which Zhao Ziyang was accused of "splitting the party" because he had made public the differences at the CPC's top level on certain issues. Everyone has learned a lesson from Zhao's case and dares not tell outsiders anything about struggles within the party.

Yang Shangkun Once Said the Whole Party and Whole Nation Are Reformists

Yang Shangkun is a typical example. On 14 October 1991, when meeting with a delegation of the Hong Kong Pei Hua Education Foundation, Yang Shangkun said: "There are many rumors in Hong Kong," "saying there are reformist factions, conservative factions, and die-hard factions in our party. The fact is that we hold identical views on reform and opening up. I can say boldly that the whole party and the whole nation are reformists." (see also Hong Kong WEN WEI PO 15 October 1991) Obviously, Yang Shangkun was saying this against his will. This year, after Deng Xiaoping's south China tour speeches were publicized, Yang Shangkun wrote some inscriptions during his inspection in Dalian, urging the Army to "escort and protect" reform and opening up. Later it became a slogan for the entire Army. Obviously, this slogan was not directed against the reactionary forces abroad but was directed against the forces opposing reform and opening up within the country and within the party. If there are no forces resisting and opposing the policies and principles of reform and obstructing the measures of reform and

opening up, why should reform and opening up be "escorted and protected"? Even Yang Shangkun himself dared not say that there was struggle within the party, not to mention the others.

It Is None Other Than Deng Xiaoping Who Has Brought the Struggle Into the Open

It is none other than Deng Xiaoping who has brought the struggle between the reformists and conservatives within the party into the open. At the beginning of this year, when Deng Xiaoping saw the great changes in Shenzhen and Shuhai special economic zones, he expressed the belief that the path of reform and opening up he had taken was correct. As he always emphasized that "practice is the only criterion of truth," and he firmly believed that truth was in his hands, he was ready to draw a conclusion on the main disputed issues. In his south China tour speeches, Deng Xiaoping talked about those major and important issues and revealed the struggle within the party on those issues. He even used the expression of "opposing reform and opening up." Deng Xiaoping said: "Anyone who opposes reform and opening up will surely come to grief." "Let those who oppose reform and opening up go to sleep." But, generally speaking, in view of his friendship with the people of the same generation and in consideration of the stable situation of the party and state, he took a rather moderate attitude when exposing this struggle and criticizing those who opposed reform. For example, on the issue of running special economic zones, Deng Xiaoping declared that "it is normal that there have been different views on reform and opening up from the very beginning."

With Deng Xiaoping taking the lead, the misgivings of the CPC's top leaders who advocated reform and opening up were dispelled. The struggle between reformists and anti-reform forces within the party was further brought into the open. In April this year, Tian Jiyun, member of the Political Bureau of the CPC Central Committee, made a strongly worded speech in the Central Party School. In this speech he pointed out without mentioning the names: "Some people are always trimming their sails. Once they find an opportunity, they will jump out to negate and criticize reform and opening up." He listed some expressions of opposition to reform and opening up: "When you mention the contract responsibility system with remuneration linked to output, they say you are negating the road of collectivism; when you mention importing foreign funds, they say you are betraying the country; and when you mention the shareholding system, they say that is capitalism...." Tian Jiyun pointed out sharply: "Some people are attacking the special economic zones."

At that time, some people within the CPC, who were under heavy pressure from the anti-reform forces, also tried to launch an attack in their units or areas on the people who opposed reform. For example, when the National People's Congress [NPC] was in session in March this year, former RENMIN RIBAO director Qin

Chuan openly criticized Gao Di, current leader of RENMIN RIBAO, for resisting the propaganda of Deng Xiaoping speeches. When Shanghai and Shenzhen had publicized the spirit of Deng Xiaoping's south China tour speeches, RENMIN RIBAO hastily carried an article by Professor Fang Sheng of the People's University, which was originally to be criticized. Qin Chuan was also frequently interviewed by foreign reporters, during which he made known the struggle between reformists and anti-reform forces within the party.

Put Anti-Reform Persons on the List of Screening Targets

Tian Jiyun's remarks can be regarded as an exposure of this struggle at the top level of the CPC. Those of Qin Chuan, who was not holding any post within the party, can be considered unofficial remarks. However, at that time, Chen Zuolin, deputy secretary of the Central Discipline Inspection Commission of the 13th CPC Central Committee, who was just below Secretary Qiao Shi, officially made known to people both at home and abroad the struggle between reformists and anti-reform forces within the CPC. At the same time, he clearly explained the meaning of the "anti-reform persons" and put them on the list of the main targets of screening.

On 7 September this year, at a special "interview by XINHUA reporters," Chen Zuolin, then deputy secretary of the Central Discipline Inspection Commission, talked about the guiding ideology and main work of the CPC's discipline inspection work. On that day, XINHUA released a 700-character special dispatch on the interview, but, unfortunately, most of the media in Hong Kong—which are always politically sensitive—failed to carry that dispatch.

The XINHUA dispatch said: "When talking about how to further strengthen and improve discipline inspection work so that more things can be done, and new trails can be blazed in this field," Chen Zuolin said: "The discipline inspection committees at all levels must regard investigating and handling discipline violation cases within the party as the central link for strengthening party discipline and an important part of the effort to promote reform, opening up, and economic development, so that they can grasp it firmly and do it well. The emphasis is to investigate and handle cases involving people who have run counter to the party's basic line, who have resisted and opposed the policies and principles of reform and opening up, and who have obstructed the implementation of major reform measures...."

"The discipline inspection organs at all levels must continue to carry out regular education in party style and party discipline among party members in light of the reality of economic construction and reform and opening up. They must strengthen inner-party supervision and lay the stress of supervisory work on party-member cadres, especially leading cadres, to see how they are implementing the party's basic line and the policies and measures of reform and opening up."

These remarks gave people some important information: The CPC Central Committee formally and clearly admitted for the first time that there did exist "anti-reform" activities within the CPC, which were "resisting and opposing the policies and principles of reform and opening up and obstructing the implementation of major reform measures." As these activities were viewed as cases to be handled, they were in no sense ordinary "problems of understanding." The nature of the other side of the struggle was also delimited as "anti-reform" rather than "conservative." On the eve of the 14th CPC National Congress, the Central Discipline Inspection Commission, with Qiao Shi as secretary and Chen Zuolin as first deputy secretary, called in XINHUA reporters to inform the public of its arrangements for discipline inspection work. This was a serious warning to those who had stubbornly insisted on their anti-reform stand and who had tried to make a final show of their strength before the convention of the 14th CPC National Congress. It also indicated that the CPC would carry out resolute struggles against the anti-reform forces after the national congress.

It Was Inevitable That the Struggle Would Be Brought Into the Open

The originally secret struggle between reformists and anti-reform forces within the CPC has been brought into the open. This was an inevitable result of the trial of strength between both sides and the need to establish Deng Xiaoping's theory throughout party and nation, to further deepen reform and opening up, and to ensure the smooth implementation of the spirit of the 14th CPC National Congress.

First, as when establishing the authority of Mao Zedong Thought in those years, it is necessary to make use of the good opportunity of the 14th CPC National Congress to establish throughout the party the position of Deng Xiaoping's theory on building socialism with Chinese characteristics. Historical experiences proved long ago that the establishment of a certain ruling ideology or theory in the entire party and nation was always realized through struggle. It was through sharp inner-party criticisms and struggles against the opposition factions headed by Chen Duxiu, Li Lisan, and Wang Ming that Mao Zedong Thought finally became the guiding ideology and theoretical basis in China, which permitted no suspicion or opposition. It is hard to imagine that Deng Xiaoping's theory can become a guiding theory of the entire party and nation without criticism and struggle. The core of Deng Xiaoping's theory is "reform." If there are no criticisms and struggles against "anti-reform forces," people's understanding of this theory cannot move beyond the stage of perceptual knowledge.

Second, to make use of the good opportunity of the 14th CPC National Congress to unite the whole party and people throughout the country in order to carry out various tasks, the new leadership core of the CPC must, first of all, unify the thinking of the whole party and the whole nation. At present, except for a small number of

representative individuals who are stubbornly opposing reform and opening up, the great majority of people both inside and outside the party are supporting the line of reform. With the deepening of reform, however, the personal interests of more and more people will inevitably be touched, especially those who have vested interests in the former structure. They may change from supporters of reform in the initial stage to opposers. Moreover, as most of them were in certain positions and had certain powers in the past, once they turn to oppose reform, their energy cannot be underestimated. In view of this, the CPC will naturally carry out a theoretical and ideological criticism and struggle throughout the party and nation, including appropriately criticizing Mao Zedong's erroneous theories on how to build socialism, thoroughly criticizing the former structure of the planned economy, and resolutely criticizing all kinds of erroneous views advocated by those who oppose reform and opening up. Thus, some representative persons—or even chiefs—will inevitably be touched. Meanwhile, based on the revised party constitution, the CPC will also standardize what the party members say and do. Just as, in the past, anyone who opposed Mao Zedong Thought was regarded as an “anti-party” element or a “counterrevolutionary,” in the future, opposition to Deng Xiaoping's theory and to reform and opening up will be regarded as evidence of “opposing the party.” **The party members and cadres who have been proved by hard evidence to have resisted and opposed the policies and principles of reform and opening up and obstructed the implementation of major reform measures will be seriously investigated and punished in accordance with the stipulations of the party constitution.**

It has been learned that, in rectifying the anti-reform forces, the CPC will follow the principles of “being strict in ideological criticism but lenient in organizational treatment, being strict with those who oppose reform and opening up after the 14th CPC National Congress but lenient with those who opposed it before the congress.” But it will never be softhearted or indulgent toward those mistakes.

Book on Deng's Thought To Be Published

OW0911175792 Beijing XINHUA in English 1518
GMT 9 Nov 92

[Text] Beijing, November 9 (XINHUA)—The *Treasury of Deng Xiaoping's Thought*, the most complete and prestigious reference book in China about the studies on Deng Xiaoping, will be published by the Red Flag Publishing House.

With 4.5 million words, this book comprises 15 parts in two volumes and expounds the full view of Deng Xiaoping's thought from all fields and angles.

The book includes the theory of constructing socialism with Chinese characteristics, Deng Xiaoping's thought about military affairs and the economy.

Moreover, the book also collects extracts from Deng Xiaoping's works and achievements in the studies on Deng Xiaoping.

Article Describes Deng Xiaoping's Family Life

HK1011032892 Hong Kong WEN WEI PO in Chinese
8 Nov 92 p 2

[Article from WENCUI [2429 5488 EXTRACTS FROM LITERARY WORKS]: “Deng Xiaoping's Later Years”]

[Text] Deng Xiaoping has not isolated himself from others in his old age. Whenever a major political campaign was about to start, he would gather his children together to tell them to take good care of themselves and warn them that he would not stand up for them if they were in trouble. If his children want to leave China for overseas trips, they must have his personal approval....

Although Deng Xiaoping does not appear in public as often as he once did, he has not isolated himself from others in his old age but lives in a big family.

Deng Xiaoping's family totals 18 members, including his five children, sons-in-law, daughters-in-law, grandsons and granddaughters, and his next of kin. It is a big family indeed. Deng Xiaoping and his wife Zhuolin's salaries are all handed to work personnel for the family's living expenses. Accounts of his family's living expenses are also managed by work personnel and an account statement is published at the end of each month. If the expenses are exceeded his children have to make up the difference. If there is a surplus, then the whole family will have a meal together.

Family Life Is “Being Together”

Deng Xiaoping maintains that family life should have “being together and small democracy.” By “being together,” he means that the whole family should live under one roof and, ideally, dine together at supper time. If a family member says he or she is coming home for the meal but does not turn up at supper time, the whole family will not start eating until he or she arrives. However, this principle is not rigidly imposed on anyone. If any member of the family does not like the food for the day, he or she can prepare his or her own favorite food or dine out. There is absolutely no meddling in the individual favorites of family members. This is what is called “small democracy.”

Deng Xiaoping cherishes friendships and family relationships. He also loves to have people around, especially children. He always asks his whole family out for picnics or to join other social activities. For example, he wants the whole family to join the annual tree-planting day activities.

In everyday life, Deng Xiaoping is a serious and thrifty person with a regular life style. As for food, he does not ask for extravagance. People love eating fine rice whereas he loves the most common rice.

Like other revolutionaries of the older generation, he is a heavy smoker. He also drinks a lot. However, due to his old age, his doctor advises him to strictly limit smoking and drinking.

Deng Xiaoping's oldest son, Deng Pufang, is now president of the China Disabled Persons' Federation. His second son, Deng Zhifang, now works at the China International Trust and Investment Corporation. His oldest daughter, Deng Lin, is a painter in an art academy. His second daughter, Deng Nan, is vice minister of the State Science and Technology Commission. His youngest daughter, Deng Rong, is constantly at his side.

Deng Lin, the Most Casual Talker

Informed sources said: Of Deng's family, Deng Lin has made the largest number of friends and is the most casual talker. She once claimed to be a "member of the Chinese People's Political Consultative Conference" to the family. Deng Pufang sees things at a deeper level. He has studied and thought about many things. Deng Zhifang is a technical worker and is wholeheartedly looking for advancement in his profession.

Deng Xiaoping sets rigorous demands on his children. In the past, whenever a major political campaign came, he would get his children together and ask them to take good care of themselves, warning that he would not stand up for them if they were in trouble. All his children now have their own jobs. When they get home, they always express their views and comment on what they have seen and heard outside, such as particular social phenomena, people's thoughts and sentiments, and the political study in all units which at one time seemed unending. They would pass judgment on them and would, at times, grumble against them. As for his children's views, Deng Xiaoping always listens to them calmly, and he sometimes smiles but never expresses his views.

No Big Deposits Abroad

Because of such a peculiar family background, if his children want to make overseas trips, they must first have his approval or else they cannot leave the country. At one time, it was rumored that Deng's children had big deposits abroad. Informed sources say that, in fact, the rumors are groundless. If they receive money or sponsorships on their overseas trips, they turn the money over when they return home. For example, during Deng Lin's visit to a Hong Kong painting exhibition, each painting sold for an extremely high price. In fact, the exhibition was held to raise funds for an exhibition at home. As soon as she returned to Beijing, she turned over all the money. Deng Pufang also does the same. When he travels abroad for fundraising purposes for the Disabled Persons' Federation, he turns over all the proceeds for the rehabilitation and welfare of the disabled.

Theorist Urges Major Reform of Government Structure

HK1011114692 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0702 GMT 6 Nov 92

[Text] Beijing, 6 Nov (ZHONGGUO TONGXUN SHE)—An expert in the State Council's Development Research Center said that the concept of "first changing the government functions and then reforming the government institutions" was not feasible, and that major reforms must be carried out in the government structure.

Ma Jiantang, a young theorist, said that China's economic structural reform in the 1980's gave profound lessons in three aspects: First, the 10-year practice showed that the reform conception of separating management from ownership so that the problems in the ownership system can be evaded, failed to achieve the expected result, and it affected the transformation of the market's microeconomic foundation to a certain degree.

Second, the criticism of the market-oriented reform in the theoretical circles in 1982, and especially in 1988, disrupted the establishment of the theory about the socialist market economy. As a result, theoretical workers have to restart their work in this regard today in order to lay a theoretical foundation.

Third, in the late 1980's, there was a mainstream opinion for the government administrative reform, and it was called "taking away the firewood from under the cauldron." This opinion hoped that government functions could be changed through structural changes, with the existing institutions being kept intact. However, in actual practice, after some institutions were changed, they would be revived in disguised forms, and the government would continue to swell and become more unwieldy.

Therefore, this expert reminded the policymakers that, on the issue of government structural reform, the concept of "first changing the functions and then transforming the institutions" is not feasible.

Article Discusses Essence of Socialism

OW0811003192 Beijing QIUSHI in Chinese No 20, 16
Oct 92 pp 6-9

[Article by Liao Xuan (1675 6513): "Correctly Understand the Essence of Socialism—Understanding Gained by Studying Comrade Deng Xiaoping's Important Talks"]

[Text] Comrade Deng Xiaoping made a scientific conclusion on the essence of socialism in his talks in southern China. He pointed out: The essence of socialism is to liberate and develop productive forces, to eliminate exploitation and polarization, and ultimately to accomplish common prosperity. He also earnestly said: We must explain this to everyone. Once we grasp the essence of socialism, we can turn on the master switch to emancipate the mind; accelerate the pace of

reform, opening up to the outside world, and economic development; fundamentally uphold the party's basic line for 100 years; and continue to advance along the road of building socialism with Chinese characteristics.

1. The Scientific Conclusion of the Most Fundamental Experience of Socialist Construction

Comrade Deng Xiaoping's scientific conclusion on the essence of socialism basically answered the most important questions which are in need of solution in socialist construction: "What is socialism?" and "How can we build socialism?" During the very long period after the founding of the PRC, we took class struggle as the key link and ignored liberating productive forces. The "Great Cultural Revolution" went even further and pushed China into a state of stagnation and chaos. Comrade Deng Xiaoping pointed out: "In 1978 the Third Plenary Session of the 11th CPC Central Committee established the present principles and policies. This was the result of summing up the 'Great Cultural Revolution.' The most basic experience was to discover what socialism and communism are, and how to practice socialism." (*Uphold Reform, Opening Up, and Revitalization*, p 409) In light of the twists and turns in our socialist construction, Comrade Deng Xiaoping pointed out: What is socialism? We were not quite clear about this question. We may say that the successful clarification of this question was key to the realization of the great historical turn during the Third Plenary Session of 11th CPC Central Committee, the starting point in the formation and development of the line adopted since the Third Plenary of the 11th CPC Central Committee. What is socialism and how can we build socialism? These are two closely related questions, or two sides of the same question. Solving the question of knowledge of "What is socialism?" is a precondition to solving "How can we build socialism?" Since the Third Plenary Session of the 11th CPC Central Committee, we have blazed a path of building socialism with Chinese characteristics, and this has solved the first question "What is socialism?"; on this basis, and proceeding from China's reality, we solved the question "How can we build socialism?"

Comrade Deng Xiaoping said: "The 20-year experience from 1959 to 1978 told us: Poverty is not socialism, and socialism is meant to eliminate poverty. If we do not develop productive forces and raise the people's living standards, we cannot say we are meeting the requirements of socialism." (*Build Socialism With Chinese Characteristics*, revised and enlarged edition, p 104) He refuted many times the false socialism which advocates common poverty. He pointed out: "It makes some sense not to have well-to-do capitalism, but how can we talk about something like poor socialism and communism?" "How can there be poor socialism and communism!" (*Uphold Reform, Opening Up, and Revitalization*, pp 409, 414) This is the most fundamental elimination of chaos and restoration of order in socialist theory.

What is socialism? Since the Third Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping has made a series of brilliant expositions on this most fundamental question of socialist construction. He pointed out: "We need to develop social productive forces and the system of ownership by the whole people, and we need to increase the income of all the people. We allow some people and some regions to be well-off first in order to ultimately achieve common prosperity. This is why we must avoid polarization. We call this socialism." (*Build Socialism With Chinese Characteristics*, revised and enlarged edition, p 151) Speaking of the "Resolution of the CPC Central Committee Concerning Economic Structural Reform" adopted by the Third Plenary Session of the 12th CPC Central Committee, he said: "The document is good because it has explained what socialism is. It contains words that have never been mentioned by our predecessors. It seems to me that some of the words are very clear. We could not have written this kind of document if we had not had the practice over the past few years. Even if we could have written it, it would have been difficult to have the document approved. In our own practice, we answered certain new questions that appeared under the new circumstances. Did we come up with the four cardinal principles? This shows that we truly uphold socialism; otherwise, we would have chosen 'to have the weeds of socialism rather than the seedlings of capitalism,' as advocated by the 'gang of four.'" (*Uphold Reform, Opening Up, and Revitalization*, p 263) By summing up the practice and experience of reform and opening up to the outside world over the last 10-plus years, Comrade Deng Xiaoping gave a scientific answer to the question "What is socialism?" and profoundly showed us the essence of socialism. Comrade Deng Xiaoping's thought [Deng Xiaoping tong zhi di si xiang 6772 1420 1627 0681 1807 4104 1835 1927] about the essence of socialism generalizes, in a nutshell, his rich scientific knowledge of socialism; it is the crystallization of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, which has been constantly enriched and developed by him in the course of reform and opening to the outside world during the last decade and more. It is also a prominent benchmark of our party's tremendous contribution to the development of scientific theory of socialism.

2. A Major Development of the Contemporary Basic Theory of Socialism

The essence of socialism generalized by Comrade Deng Xiaoping includes five basic points. From Comrade Deng Xiaoping's numerous relevant discussions, we can understand that the five basic points incorporate two fundamental aspects: the basic tasks of socialism, "to liberate and develop productive forces," and its ultimate goal, "to eliminate exploitation and polarization in order to achieve common prosperity at the end." These two aspects are inseparable, and each serves as the other's premise and condition. The ultimate goal provides direction for the basic tasks. Without the ultimate goal, the

basic tasks will have no beginning or end, thereby losing their meaning as defined by the essence of socialism. The basic tasks serve as the foundation of the ultimate goal. Without the basic tasks, it would be impossible to fulfill the ultimate goal. As a result, the ultimate goal will lose its objective reality. The most basic viewpoint of these two fundamental aspects, which form an entity together, is precisely what Comrade Deng Xiaoping emphasized time and again: Socialism does not mean poverty; it is meant to eliminate poverty. In other words, socialism must lead to prosperity. Prosperity is reflected both in the liberation and development of social productive forces, the source of material wealth; and in the final results of the liberation and development of social productive forces, the increase of overall national strength and the improved living standards of the masses.

Comrade Deng Xiaoping's scientific generalization of the essence of socialism is established upon the fundamental tenets of Marxism, and it is the scientific conclusion of his observation of socialism from a historical materialistic perspective. "What is socialism?" and "what is Marxism?" are two questions related to each other. Comrade Deng Xiaoping said time and again: Marxism attaches the greatest importance to developing productive forces, and the basic tenet of Marxism is to develop productive forces. He called this point of view "the heart of Marxism." Applying this viewpoint, he observed and studied socialism in the process of the historical development of society and tried to understand the essence of socialism from its historical role in an effort to determine the basic tasks and fundamental goal of socialism. On the one hand, he explained the basic tasks of socialism by comparing it with capitalism. He pointed out: "The superiority of socialism lies in its development of social productive forces higher and faster than capitalism develops them." (*Build Socialism With Chinese Characteristics*, revised and enlarged version, p 53) It goes without saying that capitalism also needs to develop productive forces, but it is different from socialism in essence. Capitalism is established on private ownership, and its direct goal is to pursue surplus value. Basically speaking, it limits the development of productive forces. Socialism, on the contrary, is established on public ownership of the means of production, and its ultimate goal is to satisfy the people's growing material and cultural needs. Therefore, its basic tasks are to liberate and develop productive forces through reform and to increase material wealth to the maximum. On the other hand, Comrade Deng Xiaoping clarified the basic tasks of socialism in terms of its relationship with communism. He pointed out: "To bring about communism, we must achieve the tasks of the socialist stage. There are many tasks of socialism, but the basic one is to develop productive forces to create the material foundation for communism." (*Build Socialism With Chinese Characteristics*, revised and enlarged version, p 116) From this historical plane, he called the liberation and development of productive forces as "the most basic," "primary," and "first task".

Socialism does not mean poverty; it must lead to prosperity. However, the kind of prosperity referred to here is common prosperity without exploitation and polarization. Prosperity also exists in developed capitalist countries; however, systems of exploitation also exist there, and polarization between the rich and the poor is inevitable. Comrade Deng Xiaoping said: What distinguishes socialism from capitalism is that the former will lead to common prosperity, not polarization. The liberation and development of the productive forces is the material foundation and prerequisite of common prosperity, and the socialist economic system with public ownership remaining predominant and the principle of distribution of from each according to his ability and to each according to his work determined by such a system constitute a reliable guarantee for common prosperity. Comrade Deng Xiaoping stressed: "In carrying out reforms, we have always upheld two fundamental principles: one is that the public sector of the socialist economy will remain predominant, and the other is common prosperity." He stressed: "Encouraging some regions and some people to get rich ahead of others is precisely for the purpose of helping more people to get rich and thereby achieving the goal of common prosperity." (*Build Socialism With Chinese Characteristics*, revised and enlarged edition, p 121)

The basic task and goal of socialism displays, in a fundamental way, the superiority of socialism. Comrade Deng Xiaoping pointed out: To bring the superiority of socialism into full play, economically we must catch up with the advanced capitalist countries; politically we must establish a democratic system that is higher and more practical than in capitalist countries; and we must also bring up more and better outstanding personnel than those countries. We must use these three criteria to appraise the various party and government systems. The essence of socialism not only includes socialist material civilization but also socialist spiritual civilization. Comrade Deng Xiaoping said: "We strive for socialism not only because it is capable of developing the productive forces faster than capitalism but also because it alone can eliminate the different kinds of greed, corruption, and other unhealthy phenomena which capitalism and other systems of exploitation are bound to generate." (*Build Socialism With Chinese Characteristics*, revised and enlarged edition, p 123) Therefore, to bring the superiority of socialism into full play, we must strengthen the building of socialist spiritual civilization. This is the essence of socialism.

3. Fundamentally Grasp and Uphold the Theory and Line of Building Socialism With Chinese Characteristics

Comrade Deng Xiaoping's thought on the essence of socialism runs through the theory of building socialism with Chinese characteristics and the line, principles, and policies adopted since the Third Plenary Session of the 11th CPC Central Committee. Once we understand the essence of socialism, we will be able to grasp, from a very important aspect, the fundamentals of the theory of

building socialism with Chinese characteristics and the party's basic line. Only when we acquire a scientific understanding of the essence of socialism can we profoundly comprehend and consciously practice the theory of building socialism with Chinese characteristics and the party's basic line.

Comrade Deng Xiaoping's thought on the essence of socialism is the theoretical foundation of the party's basic line of "one central task and two basic points." The fundamental task of socialism is to focus on economic construction. Reform and opening to the outside world is an objective requirement for liberating and developing productive forces. All of our reform is for liberating productive forces. If we abandon reform, socialism will lose its vigor, and the advance of our socialist cause will be affected and obstructed. To more effectively liberate and develop productive forces, we must also uphold the policy of opening up, including absorbing and borrowing from developed capitalist countries all those advanced operation and management methods which reflect the law of modern production and which are essential to the development of socialist economy. Upholding the four cardinal principles will guarantee that reform, opening up, and economic construction will advance smoothly on the correct track. In short, upholding the four cardinal principles and persisting in reform and opening up are all essential to accomplishing the fundamental task and goal of socialism. We will be in control of the master switch for mind emancipation once we grasp Comrade Deng Xiaoping's thought on the essence of socialism. Facts have shown that discussing socialism in disregard of the essence of socialism and China's conditions is the basic problem of mind emancipation. Comrade Deng Xiaoping's scientific generalization of the essence of socialism and his conclusions that China is still in the initial stage of socialism have provided us with a powerful ideological weapon to overcome all kinds of ideological obstacles.

Comrade Deng Xiaoping uses the essence of socialism as the criterion to judge whether or not socialism is truly practiced. Socialist ownership and the system of "from each according to his ability and to each according to his work" are merely basic elements of the socialist economic system. If we establish public ownership and adopt the system of "from each according to his ability and to each according to his work" without achieving universal prosperity or, worse still, without eliminating poverty, then according to Comrade Deng Xiaoping, "we cannot say that we have met the requirements of socialism," and "we are far from meeting the standards of socialism." Comrade Deng Xiaoping has put forward the strategic goal of developing the economy in three steps. This goal has implications in two areas: universal standards of living and overall national strength. Comrade Deng Xiaoping said: "To demonstrate that socialism is truly superior to capitalism, it is necessary to wait until the third step; we are not in a position to brag about that today." "Only when we reach the level of a developed country at the intermediate level by the

middle of the next century can we truly say we have practiced socialism, can we say with confidence that socialism is superior to capitalism." (*Uphold Reform, Opening Up, and Revitalization*, pp 413, 411) What we are going to build is precisely the kind of socialism which brings about common prosperity, an essential element of socialism. Bringing out the essence of socialism step by step in the course of building socialism with Chinese characteristics provides a strong foundation for upholding the party's basic line for a long period of time to come. The party's basic line reflects the demands of the essence of socialism. Upholding the party's basic line and continuing to push forward the process of achieving common prosperity on the basis of emancipating and developing productive forces constitute the most fundamental guarantee for the constant improvement of the people's material and cultural life.

We must fully understand the scientific connotation of Comrade Xiaoping's thought on the essence of socialism as well as its major theoretical significance and practical meaning. We must use his thought to arm the vast number of party members, cadres, and masses; promote the emancipation of the minds; advance reform, opening to the outside world, and economic development; and push the great cause of building socialism with Chinese characteristics to a new stage of development.

Socialism Replacing Capitalism Viewed as Trend

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[Article by Li Maoguan (2621 5399 4619): "The Replacement of Capitalism With Socialism Is the General Trend in the Development of World History—Inspiration Gained From the Study of Comrade Deng Xiaoping's Important Talks"]

[Text] Speaking during his tour of southern China early this year, Comrade Deng Xiaoping said: Marxism reveals the law of development in human society through the application of historical materialism. Given the replacement of slave society with feudal society and the substitution of feudalism with capitalism, socialism is bound to replace capitalism after a long process of development. This is the general irreversible trend in the history of social development. The process, however, will be tortuous. This statement clearly shows Comrade Deng Xiaoping's firm belief in the historical law revealed by Marxism regarding the inevitable replacement of capitalism with socialism. It also affords us a scientific ideological and theoretical weapon for correctly understanding the current world situation as well as future trends in development.

Human society progresses in accordance with inherent laws. Before the birth of Marxism, all thinkers from the exploiting class or the idealistic school offered various interpretations and inferences regarding the question of social history. Nevertheless, they failed to develop a truly scientific understanding of the objective law of the

development of social history because of class prejudice, restrictive conditions in social history, and conceptual deviations. Through the application of historical materialism, Karl Marx and Friedrich Engels—the initiators of Marxism—discovered the fact that human society develops in the midst of basic contradictions—productive forces versus production relations and the economic base versus the superstructure. Their discovery was based on the general pattern of the development of social history. It led to the objective law governing the transition of human society from primitive status to a slave society, from feudalism to capitalism, and from capitalism to socialism and communism.

Historical materialism of the Marxist variety regards the replacement of capitalism with socialism as the inevitable result of the interaction of basic contradictions in capitalist society. A concrete example of the basic contradictions in capitalist society is the conflict between the socialization of production and capitalist private ownership. The developmental level of production in a capitalist society is directly proportional to the degree of the division of labor in that society and the degree of the socialization of production. This development will necessarily restore the ownership of the means of production and products to the entire society for management and distribution. In reality, the means of production and products are under the private ownership of capitalists, who direct production personally or by proxy. This type of capitalist productive relationship, founded on private ownership, will inevitably come into sharp contradiction and conflict with large-scale socialized production. The basic contradictions will escalate after capitalism progresses to the monopolistic stage. The need to defuse these contradictions has frequently compelled the bourgeoisie to realign production relations within the capitalist framework in accordance with the objective requirements of socialized production. It also led to corresponding adjustments in the superstructure. Socialized production, however, will eventually exceed the bounds of capitalist production relations. This will inevitably “blast to pieces” the extreme private ownership system of capitalism, replacing it with socialism in the form of a society in which the public owns the means of production in accordance with the requirements of socialized production.

Socialism will inevitably replace capitalism because the proletariat—born out of capitalist production—is the most progressive representative of socialized productive forces and the only social class that will carry the revolution through to the end in direct opposition to the bourgeoisie. The Marxist doctrine on surplus value illustrates the fact that the capitalist system is the root cause of the poverty and the enslavement of the proletariat. This situation has destined the proletariat to be the grave digger of the capitalist system and the founder of the future socialist system. The historical process that will inevitably replace capitalism with socialism has always been driven by the revolutionary character of socialized productive forces and by proletarian forces that are the progressive classes of socialized productive forces.

The inevitable replacement of capitalism with socialism, may, apart from the inherent causes in capitalism, be attributed to the prescribed quality of socialism, which is of a higher order than capitalism, and which has determined that the basic system of socialism is more suitable for the development of productive forces, in better accord with the interests of the broad masses of working people, and which possesses a superiority unmatched by capitalism. Socialism is a more superior social pattern than capitalism simply because the basic system of socialism practices the system of public ownership in its means of production and the system of distribution according to work, and has eliminated private ownership. Public ownership of the means of production established by socialism to suit socialized production has done away with opposition between workers and capitalists with the means of production as their capital, thus enabling social productive forces freedom from the fetters of employer-employee relationships under capitalism. Being users as well as owners of the means of production, the broad working masses have become the masters of the country and society. They produce to satisfy the ever-growing needs in the material and cultural lives of social members with a view to achieving common prosperity. With the implementation of a planned commodity economy, socialism has overcome the kind of production anarchy apparent in a capitalist society, thus resulting in a sustained, stable and harmonious growth in its national economy. With the establishment of socialist public ownership, the majority of people will consciously recognize, accept and support the socialist political system of the people's democratic dictatorship, sharing common ideals and objectives for struggle, common convictions and morality, as well as common discipline and behavior. As pointed out by Comrade Deng Xiaoping: “The socialist economy is based on public ownership, and socialist production is designed to meet the material and cultural needs of the people to the maximum extent possible, not to exploit them. These characteristics of the socialist system make it possible for the people of our country to share common political, economic and social ideals and moral standards. All this can never happen in a capitalist society.” (*Selected Works of Deng Xiaoping*, (1975-82), p 153) These very characteristics of the socialist system form a sharp contrast with those of the capitalist system under which the working people experience political oppression, economic exploitation, anarchy in production, polarization, economic crisis, intense social conflicts and turmoil, a degenerating morality and the like.

The progressiveness, superiority, and tremendous vitality of socialism have also been proven in practice for more than 70 years. It has completed, with astonishing speed, a historical course which took capitalism several hundred years to complete since its own establishment. The broad vistas which have been opened through the high-speed development of its productive forces are unrivalled by the capitalist system. Take our country for instance: In half a century, from the end of the Qing Dynasty through 1949, the fixed assets of China's

industries amounted to only 12.4 billion yuan, and within only 40 years since the founding of New China additional fixed assets owned by public ownership units have already reached 1,561.9 billion yuan. Since 1949 our gross national product (GNP) has registered an average growth of 6-15 percent, higher than the world's average growth of about 4-6 percent in the corresponding period, and also far larger than the average growth of 2-5 percent attained by the majority of developed capitalist nations. In the 1980's, China's economic growth was at the world's forefront. According to World Bank statistics, between 1980 and 1988 Mainland China ranked second in its average economic growth and topped the world with its average growth of per capita GNP. Over the past 40 years China has solved the problem of food and clothing for 22 percent of the world's population with only 7 percent of the world's arable land. China's overall national strength has jumped from the world's 13th position to its current 6th position. What is especially worthy of emphasis is that these achievements, in relation to the three to four hundred years of history in capitalism, were made within a shorter period of several decades; moreover, these achievements were made at the initial stage of development of the socialist system with all its deficiencies and inexperience. This fully demonstrates the enormous untapped development potential of socialism. Hence, Comrade Deng Xiaoping pointed out: "Nevertheless, the superiority of the socialist system has already been proven." (*Selected Works of Deng Xiaoping*, (1975-82), p 215)

Essentially, socialism is also a great force that prevents aggression and safeguards world peace. The founding and development of socialist countries has encouraged proletarians and oppressed peoples all over the world to struggle for liberation and, in particular, has supported and promoted the vigorous development of national liberation movements in Asia, Africa, and Latin America, thereby safeguarding world peace. The existence and development of socialism and the rise of the Third World under its support are the decisive factors behind the fact that no new world war has broken out in nearly half a century after the Second World War and that peace and development have become themes for the world today.

In short, taking a comprehensive look at the history of the world in the 20th century, one will find that socialist countries have made tremendous contributions to human civilization, social progress, economic growth, and world peace, though they have had but a brief history since the time of their founding and have gone through quite a bumpy road of development. These facts prove that socialism is a more advanced system and is superior to capitalism.

When we say socialism will inevitably take the place of capitalism, we are arguing from the perspective of the general trend of historical development. Just like the replacement of old things by new things, the replacement of capitalism by socialism will have to go through a tortuous, protracted process of development. It will not

be all plain sailing. After socialist countries made their appearance, they achieved successes that attracted worldwide attention in as short a period as slightly more than 70 years; meanwhile, they have also suffered setbacks from developments taking place in some countries. Certain developed capitalist countries have enjoyed rapid social and economic development after the Second World War and, in particular, in the period since the 1960s; and as a result, society in these countries has been relatively stable. Acquiring a correct understanding of these developments and changes of the situations of the world today has important significance for us to strengthen our belief in the inevitability of the replacement of capitalism by socialism.

It cannot be denied that the rapid development of the new technological revolution; certain adjustments in production relations without the causing of any change to the fundamental system of capitalism; and, in particular, the strengthening of intervention in the economy by the state, have enabled developed capitalist countries to ease their economic and social contradictions and enjoy comparatively remarkable economic development during the post-war period. The rapid economic development enjoyed by the developed capitalist countries during the post-war period shows that the contradictions between capitalist production relations and socialized productive forces have not reached such an extent as to cause the two to be fundamentally incompatible with each other, that is to say, capitalist production relations still can accommodate the development of productive forces. Marx once said: "A society, under whichever system it exists, will never perish before it gives full play to all the productive forces it can accommodate." (*The Complete Works of Marx and Engels*, Vol 13, p 9) Therefore, disregarding the fact that certain vitality still exists in capitalism and turning a blind eye to the additional new challenges and pressure caused by these new changes to socialist countries in the current rivalry between these two systems is unrealistic and perilous. Meanwhile, it is all the more necessary than ever before for us to be aware that science and technology is a kind of revolutionary force. So far as capitalism is concerned, on the one hand, the development of science and technology has promoted the development of productive forces as well as economic growth; on the other hand, fundamentally speaking, as social productive forces have the revolutionary nature of excluding private ownership and demanding public ownership, the development of social productive forces expedited by the revolution of science and technology will inevitably result in further exacerbating the contradictions between socialized production and private ownership of the means of production and a further widening of the gap between the proletariat and the capitalist class. When the socialized productive forces have enjoyed development to a certain extent, capitalist production relations will seriously impede their own development and then the socialist public ownership of the means of production will inevitably take the place of the capitalist private ownership of the means of production.

Whatever readjustments were made to production relations—conducted by the developed countries since World War II—were undertaken under the pressure of serious and continual crises and gradually developing socialism. Because these readjustments did not and could not possibly shake the fundamental capitalist system, they could only temporarily relieve, but not thoroughly resolve, the basic contradictions of capitalism between the socialization of production and private ownership of the means of production. This fact has been shown by the so-called “nationalization,” “systematization,” “shareholding process,” and welfare policies implemented by developed countries. Capitalist “nationalization” is essentially a process for all monopolistic capitalists to jointly own the means of production, but not for the working people. It has never really rejected or cracked down on private monopolies; it is still aimed at safeguarding the private monopolistic capitalists’ interests. Basically speaking, capitalist “systematization” is to serve the monopolistic capitalist class’ interests. Through economic interventions and regulations, state monopolistic capitalism has reinforced the accumulation and concentration of capital. Consequently, a few monopolistic capitalists have been gathering a larger proportion of the means of production. The end result is that competition among monopolistic groups has become fiercer and anarchic production has worsened. Capitalist social welfare policies are nothing but returning to the working class and other laboring people a small portion of income originally deducted from their salaries—they have not changed the fact that surplus value goes to the capitalists and the working class remains in a relationship where it is exploited. In short, new changes in modern capitalism have not resolved the basic contradictions of capitalism. The contradictions of capitalism between the socialization of production and private ownership of the means of production will continue to exist until the end of the capitalist system. Regardless of the many “remedial” measures undertaken by modern capitalism, capitalism will not escape its destiny of certain extinction.

There is another very important point: Only a few developed countries have demonstrated progress under the current capitalism. They definitely cannot represent the whole capitalist world. Except for some 20 developed countries, most of the 100 some countries under the current capitalist system are considered developing countries at various levels. Many of them are facing aggravated contradictions and difficulties, turbulent political conditions, heavy debts, inflation, and worsened unemployment with impoverished peoples. Some countries are already at the edge of economic collapse. These phenomena are, in the final analysis, a product of the capitalist private ownership system and imperialist plundering policies. They also show that capitalism is not better than socialism.

Then how do we view the difficulties and complications of the current socialist movement?

First, the establishment and perfection of any new social system in the world’s history must certainly undergo a protracted, complicated, and arduous process. It was such a process when feudalism was replacing the slave-owning system, and it was also another similar process when capitalism was replacing feudalism. Capitalism has existed through a period of 200 to 300 years from its establishment to its maturity, encountering complicated and fierce struggles including restoration, anti-restoration, progress, and reactionary activities in the process. This happened when this exploitative system replaced another exploitative system. The socialist system, characterized by its objectives for abolishing exploitation and oppression, is an unprecedentedly new social system in the history of mankind. It is aimed at replacing the capitalist system that has developed for centuries. Its establishment and perfection will all the more definitely undergo a protracted, complicated, and arduous struggle. In particular, socialism will not only strive to abolish the exploitative system and the exploiting class, but it will also continually enhance the expeditious development of productive forces, create higher labor productivity than that of capitalism, increase cultural and educational levels, and establish a new and highly prosperous, democratic, and civilized society so as to lay the material and spiritual foundations for the realization of communism. Therefore, socialism is definitely a protracted historic process encompassing several stages of development. Next, the socialist revolution will score a victory, first of all, in relatively backward countries that have been lagging far behind the developed capitalist countries in their level of economic and cultural development for a very long period of time. Because after they enter into a socialist society, they still have to make strenuous efforts to fulfill the task of developing the productive forces that ought to have been fulfilled by the capitalist class in the first place and strive to catch up with and overtake the developed capitalist countries in respect of economic, cultural, and scientific and technological development, the extent of their arduousness, tortuousness, and complexity of their efforts is unimaginable. Moreover, as those who become socialist countries ahead of others will be surrounded by economically powerful capitalist countries for a protracted period of time, a situation of long-term coexistence and confrontation between two systems will begin to take shape. It makes the development of socialism full of complicated struggles over a protracted period of time. Lastly, there is no readily available pattern or fixed pattern for the development of socialism. Each socialist country has to keep exploring its own road of development in light of its own national conditions. Exploration by socialist countries means that they will have to go through a tortuous process and that it will be hard for them to avoid mistakes.

It is true that certain countries have encountered serious setbacks in their practice of socialism, and that developments in certain countries have undermined the strength of socialism in the world and have made the international communist movement take a turn for the worse.

However, this does not mean that international communism will "collapse," or that imperialism will prevail over socialism all over the world without a war breaking out. As a matter of fact, the replacement of capitalism by socialism is still an irrefutable objective law of history. Judging from the long process of the historical development of the international communist movement, we should be aware that, though developments taking place in certain countries are serious, they are regional and temporary problems. They reflect the arduousness and tortuousness of the process of the development of socialism in the world. There are internal and external reasons for developments in certain countries. Whatever reasons lead to such developments are not a result of the problems inherent in the socialist system itself. Socialism has triumphed after experiencing several failures in the history of its practice, which have spanned more than a century. The arduous process of its reaching one high tide after another from a low tide shows its firm, indomitable, and strong vitality. Like the setbacks the communist movement has suffered in history, the developments taking place in some socialist countries will have valuable experiences and lessons for the ruling parties of socialist countries and the masses of their peoples to become wiser and stronger so as to promote socialist construction and reform in a better way and greet the high tide of socialist revolution and construction in store for them in the years to come. Therefore, in the speech that Comrade Deng Xiaoping delivered during his inspection tour of south China, he clearly and definitely pointed out: Serious tortuousness and complications appeared in certain countries. Socialism seems to be undermined. However, after having gone through the tempering process, the people will draw a lesson therefrom and promote the development of socialism along a more healthy course. In short, no matter how many twists, turns, and complications appear in the progress of socialism, they are but temporary vortexes that last for only a brief period of time in the long process of history and absolutely will not change the ending of its final victory.

Li Tieying Visits College Students' Exhibition

OW0711075292 Beijing XINHUA Domestic Service in Chinese 1556 GMT 6 Nov 92

[By reporter Yin Hongzhu (1438 7703 4376)]

[Excerpts] Beijing, 6 Nov (XINHUA)—Chinese college students will become a vital new force not to be ignored on China's science and technology front, and will play an increasingly important role in reform, opening up, and modernization. An exhibition and technology trade fair of achievements scored by Chinese college students in practical science and technology inventions, which opened at the China Science and Technology Hall today, effectively demonstrated this heartening prospect to the people.

Li Tieying—member of the Political Bureau of the CPC Central Committee, state councillor, and minister of the

State Education Commission—visited the exhibition. He fully affirmed the fruitful success achieved by college students in their study and practice, as well as the direction they have followed and paid attention to in turning scientific and technological achievements into economic results. He urged college students to turn their eyes to the main battlefield of economic construction; participate in the practice of offering scientific and technological services while properly studying basic knowledge; produce more successful results as best they can and as early as possible; and make contributions within their power to scientific and technological development, economic prosperity, and social progress. He said leading cadres of all colleges and universities must give vigorous support to college students' scientific and technological activities; all areas where conditions are ripe may also sponsor similar activities.

Li Tieying also wrote an inscription for the exhibition: China Moves Toward the World and Youth Are the Way to the Future.

The activity, jointly sponsored by the All-China Students Federation and the Sida [0934 6671] Technologies Development Center, is believed to be the first useful attempt to collect all the scientific and technological achievements scored by college and university students in an exhibition to promote them to society and the market in our country. After a preliminary screening from among over 5,000 achievements submitted by college and university students in all areas, more than 470 scientific and technological achievements on display at the fair for business transactions were selected by experts. [passage omitted] Nearly 1,000 enterprises took part in technical transfer discussions, which resulted in total transactions of 5.32 million yuan, and more than 100 million yuan worth of transactions from agreements were entered into during the three-day show.

Responsible comrades of relevant departments, including Lu Jiaxi, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, and Song Defu, first secretary of the Central Committee of the Communist Youth League, attended the opening ceremony. On behalf of college students participating in the exhibition, Shou Weidong, a graduate student working for his doctorate at the Shanghai Machinery College, read a written proposal entitled "Seize the Opportunity, Meet the Challenge, and Take the Responsibility for Our Times" to fellow students of all colleges and universities in China.

It has been learned that in the next few days, the organizing committee of the exhibition is going to hold an auction of scientific and technological achievements and give prizes to college students who have won awards for their excellent scientific and technological achievements.

Economic & Agricultural

Scientific, Economic Reforms in Cities Planned

OW1011074892 Beijing XINHUA in English 0731
GMT 10 Nov 92

[Text] Beijing, November 10 (XINHUA)—China is going to launch an experiment in scientific and economic structural reforms in eight Chinese cities, the State Commission of Science and Technology and the State Commission for Restructuring the Economy jointly announced here today.

The eight cities, which have been designated as "experimental units," are Shenyang, Harbin and Dalian in the northeast China, Huangshi in central China, Nanjing and Yantai in the east, Guangzhou in the south, and Chongqing in the southwest.

"The pilot project aims at making these cities models of the country's scientific and economic structural reforms," an official from the State Commission of Science and Technology told a press conference here today.

According to the official, the major tasks of the experiment include:

- Developing new and high-tech industries and a science-related service industry;
- Promoting the commercialization, industrialization and internationalization of new and high technologies and upgrading traditional industries with new and high technologies;
- Developing agriculture with new science and technology, coordinating a harmonious scientific development of the urban and rural areas;
- Perfecting the policies, regulations and laws related to the reforms.

Li Lanqing on Need To Open Domestic Market

OW1011053892 Beijing XINHUA Domestic Service in Chinese 1139 GMT 9 Nov 92

[By reporters Zhang Yi (1728 3015) and Che Shuming (6508 2579 2494)]

[Text] Beijing, 9 Nov (XINHUA)—Li Lanqing, member of the CPC Central Committee Political Bureau and minister of foreign economic relations and trade, recently told a meeting that experiences and practice both at home and abroad have proved that closing the country to international trade would only lead to stagnant economic development, while opening up to the outside world would greatly promote instead of hinder development of the national economy.

Li Lanqing said: In the 1950's, the Taiwan region, Korea, and Singapore all adopted a strategy of import substitution to protect their domestic markets, taking measures

to raise tariffs, restrict imports, and introduce a multiple exchange-rates system. This strategy once produced some results in helping these countries and regions develop local industries and reduce an unfavorable international balance of payment. However, an import substitution strategy in its fundamental form is based solely on the domestic market; it thus confines economic development to the availability of domestic resources and the size of the domestic market and prevents effective utilization of foreign economic management techniques and technological achievements for furthering economic development. In addition, the implementation of this kind of strategy would inevitably strengthen trade protectionism, leading to low productivity, high production cost, undependable product quality, and lack of competitiveness. For this reason, the economic growth of Taiwan, Korea, and Singapore remained stagnant in the late 1950's. In the early 1960's, they began to implement an outward-looking, open strategy for economic development, under which protectionist trade policy and foreign exchange control were relaxed and tariffs reduced to promote rapid economic development. After turning to an open policy, many Latin American countries also enjoyed marked economic development in recent years.

Li Lanqing said: Although we introduced quite a number of foreign production lines for household electrical appliances and imported many household electrical products in the early 1980's, our household electrical appliances industry has not been shattered; instead, it has enjoyed more rapid development under pressure from external competition. We are already exporting in large quantities products such as television sets, radio and cassette recorders, refrigerators, washing machines, and high-fidelity entertainment systems.

Li Lanqing pointed out: Properly opening up the market means the opening is not done blindly or, in other words, unconditionally; we are selectively opening up the market and introducing competition in conformity with the readjustment of the domestic industrial structure. We should protect new industries in their initial development stage; this kind of protection, however, should be given in accordance with relevant provisions in the General Agreement on Tariffs and Trade. Nevertheless, it is necessary to gradually remove protection for industries that have developed a certain footing and competitiveness to encourage them to compete in the international market. Providing endless protection to backward industries would do no good; we should draw a lesson from the painful experience of certain countries in this regard. Selectively opening up the market and introducing competition would not only help us attain the goal of expanding exports by promoting readjustment of the domestic industrial structure and by quickening the upgrading and updating of products, but also lessen the pressure from a moderate [as received] opening up of the market and increase of imports. In short, it is not right or possible to keep the domestic market closed while implementing a policy of opening up to the outside world.

In conclusion, Li Lanqing pointed out that when utilizing foreign capital, we should offer an appropriate share of the domestic market to capital-intensive high- and new-technology projects that conform to our industrial policy. This is conducive to attracting major multinational corporations' investment and to promoting the competitiveness of Chinese commodities with high added-value and high- and new-technology content; besides, these enterprises themselves would certainly develop into our important export enterprises after going through a maturing process.

Economist on Evolution, Role of Socialist Market

Part One

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[First of three-part article by Wu Jinglian (0702 2417 8834); from the book *Planned Economy or Market Economy*, published by the China Economics Publishing House, with "minor revisions" made for newspaper publication: "The Evolution and Practical Significance of a Socialist Market Economy"; first two paragraphs are JIEFANG RIBAO editor's note]

[Text] The 14th CPC National Congress has clearly defined the establishment of a socialist market economic system as the goal of China's economic structural reform. This important policy decision, which has enriched and developed the Marxist political economy, is of great practical importance and far-reaching significance in further liberating and expanding productive forces and realizing China's socialist modernization program.

Why is it necessary to establish a socialist market economy in China? What special characteristics does China's market economic structure and general framework have? How should we set up the infrastructure of a market economy? Comrade Wu Jinglian, a noted Chinese economist who has always advocated the introduction of a market economy, recently wrote an article giving a systematic exposition on these questions. The article has rich substance, original ideas, and deep insight; and is very enlightening. This newspaper intends to publish the article, even though it is a little long, in three parts and hopes that it will come to readers' attention.

The 14th CPC National Congress has defined the establishment of a socialist market economic system as the goal of China's economic structural reform. This major breakthrough in understanding and theory will further increase our awareness of advancing reform and opening up, and striving to set up the infrastructure of a market economy in China within the shortest possible time and to take a decisive step forward in effecting a take-off of the Chinese nation based on a modern market economy.

I. Why Is It Necessary To Establish a Market Economy in China?

1. The Necessity and Essence of Reform

The orthodox theory of socialism holds that a socialist economy can only be a planned economy. Marxist canonists used to believe that under the condition of public ownership, "nationwide centralization of production means will become the national foundation of society composed of associations of free and equal producers, and these producers will conscientiously engage in social labor according to a joint rational plan" ("Selected Works of Marx and Engels," Volume 2, page 454); this is to say that society's production will proceed according to the plan prescribed by the central planning organ on behalf of society.

The 20th century is—we may as well say—a century in which an historical conclusion on the aforesaid hypothesis on a planned economy is to be drawn after it is put into practice and tested. At the beginning of the century, the Social Democrats, including Kautsky and Lenin, worked out a concrete design for a centralized planned economy. Meanwhile, V. Pareto, the master of neoclassic economics, and his followers substantiated their famous theory on achieving optimal distribution of resources with compatible mathematical precision, and proved that a plan drawn up by a "collective production department" after scientific calculations could produce the same effect as a market system, or the optimal distribution of rare and scarce resources.

After the October Revolution, the Soviet Union set up the first prototype of a centralized planned economy. Thereafter, it was practiced in a number of socialist countries including China, over a long period of time. The result of practice shows that such a centralized planning system is acceptable to the public only during an emergency in the early stage of revolution, and rehabilitation after a war when the economic structure is relatively simple; when the masses' revolutionary enthusiasm soars and the national goal is absolutely above anything else. Under such circumstances, the centralized planning system can help mobilize and centralize resources for use in state-designated purposes, and can retain a relatively strong growth momentum when there is more room for extensive development. For example, the Soviet Union maintained a higher growth rate than the capitalist countries before and after the war (from 1928 to 1955, the Soviet GNP averaged between 4.4 and 6.3 percent annually). However, the defects of such a centralized planning system can be fully exposed when a country enters peacetime, especially the stage of intensive development.

In view of unsatisfactory economic development, the socialist countries successively undertook reforms of the existing economic system after the mid-1950's. However, due to the lack of a thorough understanding of the defects of a planned economic system and their root causes, most countries did not choose the correct goal

and model of reform, or, did not succeed in reform because of blunders in practical measures and operation. The socialist economy has only been sustained in China because a breakthrough of reform has been achieved.

Theoretical research and verification by practice over nearly a century prove that without overhauling its fundamental defects, the planned economic system cannot survive.

In the final analysis, an economic system's operation is a question of how to distribute limited resources among different departments, localities, and economic units to achieve the best results. When resources are distributed effectively, they can yield high efficiency and promote fast development in production. However, effective distribution of resources must rely on a fixed system for arrangements and prescribed rules, or a fixed economic system. When we say an economic system is superior, we refer to its capability to more effectively distribute and utilize resources. Therefore, the basic yardstick for evaluating an economic system's merits and demerits lies in whether it can perform the function of effective distribution of resources and expand social productive forces. The fundamental malady of the traditional socialist economic system lies in its incapability to effectively perform the aforesaid function, which often leads to errors in distributing resources and low production efficiency. Therefore, it is imperative to replace the old economic system with a new one that can more effectively distribute resources.

In the course of socialized, coordinated production, resources can, in principle, be distributed with two methods and means. One of the means is through administrative orders. According to the scope of functions, resources distribution can be divided into microscopic distribution within manufacturers themselves and social distribution between manufacturers. In terms of the basic distribution methods, there are two forms of distributing resources: (1) administrative distribution based on administrative means (an economy with this distribution form is called a "planned economy," "controlled economy," or "command economy"); and (2) market distribution based on market mechanisms (an economy with this distribution form is called a "market economy," "commodity economy," or "currency economy").

Outlines for distributing resources under the traditional planned economic system are macroeconomic and microeconomic policy decisions according to centralized, pre-planned, and overall arrangements. Previous research explains that plans formulated subjectively must meet two preconditions to reflect objective realities and optimize the distribution of resources: First, the central planning organ must obtain all information pertaining to the economic activities of the whole society, including material and manpower resources, technical feasibility, and the structure of demands ("assumption on complete information"); and second, the interests of the whole society must be integrated without the existence of separate subjects of interests and different value

judgments ("assumption on a single subject of interests"). Without these two preconditions, a planned economy can lead to deviations in calculation and errors caused by failure to strictly implement plans. At the crux of the issue, is that it is impossible to have both conditions, at least in the foreseeable future. Therefore, in drawing up and implementing plans for distributing resources under the traditional planned economic system, insurmountable obstacles in information and difficulties in incentives can surface.

As far as the mechanisms of information in a modern economy are concerned, to ensure a correct policy decision on distributing resources, it is necessary to solve problems of collecting, transmitting, and processing information. In our times, the demands of the people are extremely complex and change constantly. Continually emerging new products stimulate new consumer demands and bring along a host of information. Meanwhile, the production pattern of a modern economy is also very complicated. Rapid progress in science and technology has continually brought about new products, materials, and technical know-how; and there are always numerous production plans and technical formulas for producing a useful thing of value. In a nutshell, as we are in a constantly changing world of an "information explosion," it is very difficult to collect the host of information scattered around society and to promptly transmit such information to the central planning organ. Moreover, even if all the information is available to the central planning organ, it is still basically impossible to solve an equation involving thousands or even hundreds of millions of variables within the timeframe of days and months; to turn the result of calculations into a unified plan with various components connecting to each other; and to separate them at different levels for implementation down to the grass roots.

It will be even more difficult for the administrative method of resource distribution to stimulate motivation. As we know, it is necessary to have a motivational mechanism to ensure the implementation of any correct resource distribution policy. When the resources are distributed under a centralized planned economy, economic decisions are made collectively by the central planning organ, which represents the overall interests of all members of society; and they are implemented by the "entire society" organized according to a multilevel principle. So, all organizations in society, including grass-roots, intermediary, and the planning organs, are supposed to act as the limbs of the "Robinson of Society" described by Marx, or as the ideal bureaucratic organizations described by Max Weber. These organizations will not create any deviation in the implementation of society's unified plans, because they are designed to fulfill the tasks assigned by society 100 percent and they do not have their own special interests or demands. However, facts prove that such a premise cannot be satisfied even under socialist conditions. In the socialist stage, all those involved in economic activities, including policy makers and implementers, have their own interests which often conflict with the overall interests of

society. Under the influence of their own interests, it is unavoidable for them to cause deviations, either intentionally or unintentionally, in the course of providing information, making plans, or implementing plans. For this reason, although someone has said that, with the development of computer technology we will be able to use modern information in overcoming the information difficulties caused by the planned distribution of resources, no one has ever been able to propose any proper way to use administrative means to resolve the conflict of interests among many individuals involved in any economic activity. It is a fantasy to try to rely on improved computer technology to overcome information difficulties because the development of computer technology always trails behind the increasing information needs in the course of production development and technical progress. Moreover, even if the information problem is solved, the motivation problem is insurmountable with the administrative method of resource distribution.

What then is the proper method of resource distribution instead of the administrative method? People have conducted many experiments to try to solve this problem with nonmarket methods. For instance, our country has repeatedly tried to delegate administrative authority in an attempt to replace the centralized planned economy with a decentralized, multicenter planned economy. However, the attempt has not improved economic operations, and, on the contrary, it has led to greater disorder. So, people have reached the following conclusion: Under the socialized economy, there are only two methods to choose from with respect to the distribution of society's resources—either the administrative method of distribution or distribution based on market forces. Therefore, so-called economic restructuring can be nothing but substituting the latter for the former to achieve a structural shift from a planned to a market economy. The advantage of distribution based on market forces is that short-supply resources can be distributed through the business activities of a large number of commodity dealers in the market. In this way, we can overcome the shortcomings of over-centralized decisionmaking power under the traditional system and yet avoid creating disorder.

First, all parties of economic activities can share the supply and demand information of all economic sectors through market business transactions and relative prices, and thus overcome the difficulty in simultaneously handling widespread information in the course of socialized large-scale production. Second, the decision on resource distribution is not carried out as administrative orders from above. It is carried out voluntarily by the various parties of economic activities to seek the maximum benefits for themselves. In this way, there is harmony between the partial interests and the interest of the whole society.

There are two prerequisites for the effective functioning of market mechanisms. First, an adequate number of enterprises must be permitted to freely export and

import goods in an environment free of monopolies (this is an hypothesis of full competition). Second, prices must demonstrate full flexibility, and instantly reflect the state of supply and demand in resources. They should shed light on the relative scarcity of resources (this is an hypothesis of price flexibility). A market system cannot attain an ideal level of efficiency in the absence of these two prerequisites. In reality, the market economy cannot possess both prerequisites. The market economy is different from the centralized system of planning because it can almost possess these prerequisites. For instance, a fully competitive market cannot possibly exist in the present circumstances. Nevertheless, it is possible to establish a partially competitive market in a monopolistic or oligopolistic environment. This type of market is competitive. Although prices cannot instantly reflect the state of supply and demand in resources, they can generally demonstrate the relative scarcity of various types of resources. Other shortcomings exist, such as "market-related malfunctions" and "market-related errors." To a certain extent, these shortcomings can be remedied through government interference and administrative guidance. Under socialist conditions, the state can use its influence to improve the allocation of resources because it possesses various means of interference and guidance.

In short, vastly different circumstances have contributed to the lack of prerequisites for the effective functioning of a planned or market economy regarding the allocation of resources. The planned economy cannot possibly possess these prerequisites. Phenomenal scientific and technological progress in today's economy can generate a succession of new production modes, thus greatly complicating and constantly changing the pattern of supply and demand. A lack of relevant prerequisites is more likely in such circumstances. A market economy, while not possessing all of the prerequisites, possesses the essential conditions. This type of economy can help promote a relatively efficient method of allocating resources. The aforesaid conclusion does not originate from semantic sources. It has been proven by the experiences of various socialist countries that implement planned economic systems. It is the root cause of various complex vices under the conventional system. The elimination of these vices necessitates the radical transformation of the old system, as well as the substitution of planning with a market economy. These efforts constitute the essence of reforms carried out by socialist countries.

2. "Competition Between Planning and Market Economics" in Recent Years

Reforms currently conducted in our country are different from those carried out in other socialist countries. Repeated ideological, theoretical, and cognitive processes during the tortuous course of reform have helped our people in their gradual search for a strategy to radically reform the socialist economy. This has opened up new prospects for renewing the socialist system. Thus far, China has scored considerable success in economic

reform, mainly because of the clear goal it set during the early stages of reform. This goal envisions an ever-widening role for market mechanisms. The success also arises from China's resolute adoption of clever strategies to achieve this goal.

During the early stages of reform, most economists in our country understood the need to convert our country's socialist economy into "a planned commodity system." "Preliminary Views on Reform of the Economic Structure" released by the State Council Economic Restructuring Office—the first government document on economic reform released in 1980—clearly states: "The current stage of our country's socialist economy is a commodity-based system. This system is comprised of various economic sectors while stressing the primacy of public ownership of production means." Our country should reform its economy in accordance with the strategy and course of "changing the unitary role of planning-based regulation into full market regulation under the guidance of planning." This conforms to the requirements for developing a commodity economy and for promoting socialized large-scale production.

However, the road of reform is not level. It faces opposition from traditional ideas and interest groups in society. During 1981-83, there were a number of articles which criticized the aforementioned reform ideas. They opposed the "theory of socialist commodity economy" and "theory of socialist planned commodity economy" on the grounds that the "socialist economy can only be a planned economy," and the "basic indicator of a socialist economy" is "mandatory planning." They did not consider the formulation of a "planned commodity economy" to be correct either, on the grounds that "its objective is a commodity economy, not a planned economy." They maintained that to "turn state-owned enterprises into economic entities which keep separate accounts and assume full responsibility for their own profits and losses" according to the principle of a commodity economy and to regard "competition as the motive force for economic development" are incompatible with our socialist economic system. They maintained that in this way, our reform of the economic management system will proceed in accordance with the "capitalist principle of a market economy," not the "socialist principle of a planned economy." Later on, different formulations generally disappeared from newspapers and journals. The criticism of the theory of a socialist commodity economy and market forces lasted until the eve of the Third Plenary Session of the 12th CPC Central Committee in 1984.

The criticism made by theorists suspended the structural reform of the state economy which is the main sector of a planned economy. However, nonstructural reforms continued to proceed in the direction of developing a commodity economy and market forces, and scored great success. The responsibility system with the household contract linking output to payment has promoted rural reform, while our opening up has enhanced urban economic vigor, bringing about economic prosperity in

our country. Facts prove that the development of a commodity economy and market forces is an irresistible historical trend. The thriving commodity (market) economy in China provides a material basis for restoring the slogan a "socialist commodity economy."

At the same time, the lack of vitality of the state-owned economy as compared with the nonstate-owned economy has made many people realize that state-owned enterprises find it difficult to improve their own economic situation because they lag behind others in reform. For this reason, the only way "to improve the quality of state-owned enterprises" is to turn them into independent commodity dealers. In the summer and fall of 1984, some economists proposed to the central authorities that we restore the formulation of a socialist planned commodity economy. The Third Plenary Session of the 12th CPC Central Committee accepted the view. The "decision on reform of the economic structure" adopted at the plenary session unequivocally pointed out: "It is necessary to discard the traditional idea of putting the planned economy against the commodity economy. We should clearly understand that the socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied. The full development of a commodity economy is an indispensable stage in the economic growth of society and prerequisite for our economic modernization." So, it offered the viewpoint that the objective of China's economic reform is to establish a "socialist commodity economy." Comrade Deng Xiaoping spoke highly of the "decision." He pointed out: This "decision" is "Marxist political economics." "The document is good because it explains what socialism is, and it says something that our ancestors never said." "Composing such a good document would have been out of the question without the practice of the last several years." "It truly upholds socialism; otherwise, people would have continued the habit of 'rather having the weeds of socialism than the saplings of capitalism.'" Comrade Chen Yun pointed out: "The planned system's four basic characteristics summed up in the decision on reform of the economic structure, deliberated at this plenary session, completely conform to our present situation. Today, our economy is much greater and more complex than in the 1950's. Some practices suitable for the 1950's are no longer suitable today." "It will not do to mechanically copy the practices of the 1950's." In this way, the whole party has reached a common understanding of the essence and objective of reform.

As a matter of fact, quite a few economists at that time equated the market economy with the commodity economy operating under the socialist conditions of large-scale production. The term "commodity economy" was used in the Soviet Union political and economic textbooks. Cadres in our country were familiar with the term, whose adoption during that period is understandable. Expounding the new economic system in concrete terms, the "Decision on Reform of the Economic Structure" clearly exhorts our country to allocate resources in

accordance with market demands. The so-called socialist planned commodity economy is a socialist market economy based on macroeconomic management and government interference (planned guidance) regarding overall supply and demand.

Nevertheless, some theorists refused to forgo their position in favor of an administrative means of allocating resources. After the promulgation of the "Decision on Reform of the Economic Structure," these theorists discontinued their frontal attack against statements favoring the socialist commodity economy, recognized the fact that the socialist economy was a planned commodity system, and directed the thrust of their attack against the true essence of such an economy—using market mechanisms to allocate resources. From June 1989 onward, newspapers and publications carried many articles on "market orientation" and "market economic theory," forging a direct link between the question of planning and market economics with the basic system. These articles characterized the issue of planning and market economics as a differentiation between "socialism" and "capitalism." They asserted that some people favored the adoption of reform initiatives without regard for "socialism" or "capitalism." They claimed that the program of reform and openness "had indeed been led onto an evil path toward capitalism." Using arguments and statements similar to those used from 1981-83 to criticize the "commodity market theory," they chided arguments favoring the establishment of a market economy as the goal of our country's economic reform. They asserted: "To establish a market economy is to abolish public ownership. In other words, the creation of such an economy amounts to a negation of the CPC's leadership and the socialist system in favor of capitalism." These articles discussed competition between the market economy and the planned system within the grand context of the "struggle between two lines." They said that the call by some people to adopt market-oriented reform illustrated "the struggle between two lines as represented by the two types of proposition and direction on the question of reform. The struggle continues in a different form and direction." This state of affairs continued until Comrade Deng Xiaoping delivered his talks during his spring tour of southern China.

Comrade Deng Xiaoping's talks during his southern tour immediately stirred up enthusiasm within the ranks of cadres and people across the country. They promptly unleashed an overwhelming upsurge in expanding the program of reform and openness. The release of these talks has expedited the development of events because they reflect historical trends and popular wishes. Thirteen years of reform has nurtured the market element, enabling it to grow in the "fissures" and on the "fringes" of the original market economy. The reformist move toward a market economy has become an irreversible trend after reaching a critical point. Currently, our country's economy consists of two major components. The more vibrant component is primarily composed of nonstate economic entities that have matured in the

course of market-oriented reform. The majority of state-run enterprises lack vitality because they cannot radically transform their operational mechanisms under the multitiered control of administrative departments. The sharp contrast between the performances of these two components incontrovertibly attests to the relationship between the successful decade-long program of market-oriented reform and our country's present economic prosperity. Only the rapid establishment of a new market economic system can help lay a solid foundation for a sweeping economic boom.

3. Establish the Market Economy as the Objective of Reform

Judging from the development and reform of the socialist economy in China as well as in the whole world, correct answers to many controversial questions over the past 100 years or so have been established after seemingly endless arguments. The time to establish a market economy as the objective of China's reform has arrived.

Comrades who are against establishing a market economy as the objective of China's reform may raise some questions, mainly because: (1) "A planned economy equals socialism; a market economy equals capitalism" is a universally recognized principle; (2) practicing a "market economy" means that the economy will be dominated by the blind force of the market, leading to an anarchistic production situation; (3) the law of value will lead to a polarization of the rich and poor.

The aforementioned arguments are all incorrect and have been negated or revised by practice. (1) "A market economy equals capitalism and a planned economy equals socialism" is an assertion that has not been proved, or, as put by an authoritative foreign economics dictionary, it is just a prejudice shared by "dogmatic socialists" and "dogmatic antisocialists." As early as 1979, when reform and opening up had just begun, Comrade Deng Xiaoping said: The assertion that the market economy is limited to capitalist society is definitely incorrect. Why cannot socialist countries practice a market economy? The market economy began to spring up in feudal society; socialist countries can also practice the market economy. The "Decision" by the Third Plenary Session of the 12th CPC Central Committee correctly points out that the difference between the socialist commodity economy and the capitalist commodity economy is in the different basis of their ownership systems, not in other ways. Therefore, the difference between the socialist and capitalist market economies is naturally limited to this.

(2) Based on the actual conditions of the Soviet Union's economic development, Stalin admitted that planned allocation of resources would not guarantee crisis-free economic development. On the contrary, we can reduce economic fluctuations and avoid serious crises by improving market conditions, supplemented by planning and guidance. We are enlightened in this respect by

the example of Japan's economic development after World War II. (As a matter of fact, in implementing the "Asia-Pacific model," the "four little dragons" and "three little tigers" have generally pursued this type of market economy under government guidance). (3) The functions of the law of value will enable people with abundant resources to become richer and make people with little or no resources poorer. However, practice has shown that we can prevent income polarization as long as we do the following: First, we should pay attention to equity in income distribution at the beginning. Second, while pursuing taxation measures stressing progressive income tax and high inheritance tax, we should also provide welfare services for low-income groups. All this is possible especially under a socialist system where the workers control political power.

Some comrades have advocated continually safeguarding the original proposal of the "socialist planned commodity economy." One advantage of this proposal is that it is connected with the "Decision on Reform of the Economic Structure" adopted at the Third Plenary Session of the 12th CPC Central Committee, and hence is easily acceptable to the people. However, it also has the following major flaws:

First, the "commodity economy" is a Russian expression coined at the beginning of this century. We could not find any such quotation in Marx's original works, nor is it a common expression in the study of modern economics. Some key shortcomings in using this expression include: It does not specify the characteristics of the nature of the economic system which uses certain particular methods to allocate limited resources. If we designate the commodity economy as the objective of China's reform, we have no choice but to add many extra explanations to specify the distinctive method for allocating resources under the new economic system. It will not only involve additional clarifications, but will also lead to misunderstandings.

The commodity and market economies are two connected but different concepts. They specify similar economic relations from a different angle. Under the commodity economy, an economic system is specified in accordance with the external phenomenon whether products are being consumed through exchange or not; whereas under the market economy, an economic system is designated according to its intrinsic characteristics in allocating social resources. Therefore, even though after a certain level of socialization the commodity economy becomes the market economy, while designating an economic system, the market economy version is better than the commodity economy version in reflecting the essence of the matter.

The commodity economy progressed extensively at an early stage in China's historical development. Differing from the European feudal economy, land—a major factor of production—could be transferred through sale under the landlord economy in ancient China's agricultural society. Around the 10th century, some six or seven

centuries earlier than Western Europe, paper currency had appeared in China. Even though markets occurred whenever commodities were exchanged, the markets themselves were controlled by the government administration in ancient China. The government administration at that time, not the market itself, was the major allocator of social resources. Therefore, China was different from West Europe in that the formation and development of China's market economy lagged far behind its commodity economy's early maturity. Because of China's earlier historical development, reform objectives can easily be misunderstood. In accordance with the commodity economy's apparent wording, people mistakenly believe that we will have materialized the reform objective as long as all exchanges of commodities are sales. The crux of the issue is not whether the commodities are traded, but whether the government or the market is the principal allocator of resources.

The defects of the formulation of the commodity economy have become obvious in the actual process of reform in China. For example, since the Third Plenary Session of the 12th CPC Central Committee, even though it has been generally agreed that a socialist economy is a commodity economy, there are still some people who, shackled by outdated concepts, try to confine market relations to a narrow sphere. According to them, under socialist conditions, commodity production and exchange should be limited to labor products; land, capital, and labor are not commodities, and should not enter the market and be governed by the law of the market. In this way, the material and personal production factors—the most important resources—would be pushed outside the sphere of market regulation. Needless to say, the commodity economy's formulation will take away the most essential components of reform, i.e., the substitution of market forces for administrative plans in resource distribution. Should the formulation be executed, not only will capital, land, and other material production factors be unable to enter the market and move forward to where they are most needed for producing the optimal results; but also, in the absence of market access, it will be impossible for us to measure labor contributions and realize the principle of to each according to work. Therefore, although the commodity and market economies are merely definitions of the same economic mode viewed from different angles, the latter's formulation is more scientific. By defining the establishment of a market economy as the goal of reform (distributing resources through market mechanisms), we can, to a larger extent, avoid confusion in the goal and practical work of reform caused by an inaccurate understanding of the commodity economy.

As for the retention of the attribute "planned" in limiting the market economy to avoid the misunderstanding or distortion that we are "pursuing a pure market economy," this can hardly be the reason for the retention in the original formulation, because all market economies existing in the realities of the contemporary world include, more or less, a fixed form of macroeconomic

control, government intervention, or guidance through state plans. Under such circumstances, it is entirely unnecessary to label the market economy we advocate a "planned" market economy.

Furthermore, judging from the actual process of China's economic reform, it is also of great significance to define the establishment of a market economy as the goal of reform. This is because since the root cause of various defects of the traditional socialist economic system lie in its own operating method of using plans drawn up by the administrative organ for distributing resources, then the fundamental solution to the defects is to totally change the resource distribution method and establish a complete set of market economy mechanisms.

Today, even though we have already introduced monetization to the Chinese national economy and made headway in developing the commodity economy, markets are not quite developed yet, much less are market mechanisms becoming the primary distributors of resources in society. According to the analyses of modern economics, for market mechanisms to become the primary distributors of resources, we should have not only a pricing system that reflects different degrees of scarcity and shortage of resources, but also financially and operationally independent enterprises that can quickly respond to relative price changes under the pricing system. These basic conditions have not yet been established in China, especially in state-owned sectors. The establishment of market mechanisms lag far behind in a number of key areas, becoming the main obstacle to an all-around take-off of the national economy and the root cause for mounting difficulties facing public service departments (including state budget and most state-owned enterprises). Under such circumstances, it is of important theoretical as well as practical significance to reconfirm and clearly define the establishment of the market economy as the goal of China's reform.

Part Two

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[Second of three-part article by Wu Jinglian (0702 2417 8834); from the book *Planned Economy or Market Economy*, published by the China Economics Publishing House, with "minor revisions" made for newspaper publication: "The Evolution and Practical Significance of a Socialist Market Economy"]

[Text] II. The Structure of China's Market Economy

China's reform aims to establish a socialist market economy. The so-called socialist market economy is a short form of a market economy under socialist conditions, versus a market economy under capitalist conditions. The attribute refers to differences in the social environment, not the market economy itself.

1. The General Framework of China's Market Economy

The transition to a market economy means the establishment of mechanisms for distributing resources based on market regulation. Any modern market economy must contain the following basic factors: First, manufacturers (enterprises) are set up on the basis of a clearly defined property right; they make policy decisions independently and assume sole economic responsibility. Second, enterprises have the right to freely enter and compete with others on an equal footing in markets where accurate price parameters are available. Third, the government exercises macroeconomic (total) control and administrative guidance in the event of a "malfunction of markets."

Proceeding from the intrinsic demands of a market economy, the general framework, or basic structure, of China's market economy should be roughly the following: (1) A system of autonomy for enterprises is the backbone of the framework; regardless of the nature of ownership, all enterprises are independent entities (natural and legal persons) which operate independently, are responsible for their profits and losses, and compete with each other on an equal footing in markets. (2) A competitive market is the venue for enterprises' activities as well as the channel for their contact. Through market competition, enterprises in various branches of the system of the division of labor in society will be linked together for coordinated activities. The markets referred to here include commodity markets and production element markets. Prices set through competition are the basic parameters of this economic system which decides the operational course of various components of the system. (3) Meanwhile, the government, as the representative of society, regulates market activities through economic, legal, administrative, and even moral means. It is necessary to emphasize here that the aforementioned three aspects are absolutely not a "wood block" simply put together, but an organic integrated body whose three components are connected with and restrict each other, forming a system of relations interacting on each other to effectively exercise the function of distributing resources.

2. The Establishment of a System of Autonomy for Enterprises

As an economic system, the market economy is basically composed of enterprises which operate independently and are responsible for their own profits and losses. These enterprises can be publicly or privately owned, or jointly owned by both. Regardless of the type of ownership, they share a common characteristic, that is, they are independent economic entities, capable of making production and other managerial decisions based on their own interests and according to market signals, as well as totally responsible for the results of their operations. They compete in markets on an equal footing, with superior enterprises taking over inferior; neither the seniority nor prestige of enterprises plays a role in the market.

Because of the aforementioned reasons, the reform of the enterprise system is a major task in the course of establishing a new system of a market economy in China.

Under the traditional system, the entire society is a state-owned and quasi-state-owned (so-called "collectively owned") large, unified factory where the government not only exercises macroeconomic (total) control, but also directly manages enterprises and makes micro-economic policy decisions: It keeps a tight control on the revenue and expenditure of the state budget; it monopolizes the purchasing and marketing of commodities in circulation; it centralizes job placement in labor; and so on and so forth. Under this system, the responsible administrative organ is, on the one hand, like a strict parent keeping a firm grip on enterprises and, on the other, shows the benevolence of a patriarch by assuming all the risks of enterprises and offering "everyone to eat from the same big pot" of the state. In this sense, real enterprises do not exist under the traditional system. The traditional system of enterprises is incompatible with the requirements of a market economy in the following aspects: (1) The relations of property rights are unclear: the owner in name (society) cannot exercise the function of ownership while the owner in fact (the state) and its representatives (functionaries at various levels) control enterprises as political forces outside enterprises, and do not assume direct economic responsibilities. (2) All enterprises belong to the same master and are monopolized by the government; therefore, they do not compete. And, (3) Managers who are administrative officers conduct themselves according to mandatory plans passed down from higher authorities, instead of following the rule of pursuing optimal efficiency and profits.

These bad practices must be abolished to enable enterprises to adapt to the market economy's demands, and become actual commodity managers who are independent and responsible for their own profits and losses. We should transform existing state-run enterprises in addition to greatly developing nonstate-owned industrial and commercial enterprises. Such a transformation can be carried out through different means: Most economists advocate the respective use of such methods as "contract," "lease," and "sale" to turn small-scale state-run enterprises into independent economic entities owned and run by the people or owned by the state but run by the people. The situation regarding large- and medium-sized enterprises is more complicated. Concerning the reform of state-run large- and medium-sized enterprises, I advocate implementation of the stock company system through the incorporation of legal person. The main concepts are as follows: (1) Reorganize existing large state-run enterprises into limited companies and divide share holding rights among various types of public-owned legal persons (including asset management departments under governments at all levels, trust and investment companies, insurance companies, common funds and other finance organizations, old-age pension funds, donor foundations, and other enterprises). (2) Following the establishment of a legal person, capital

contributors will relinquish direct control over property whose shares they own; the management rights over the legal person's property shall be handed to the board of directors, which is elected based on a one-share-per-vote principle during shareholders' meetings, or to high-level competent personnel picked by the boards of directors (Western economic literature calls these people "management personnel who receive regular salaries" whereas Marx called them "directors of laborers"). And, (3) Establish the restraining mechanisms in companies which inspire people by linking the salaries of management personnel with business performance, and which guarantee that management personnel work hard to improve management and operation to maximize company profits.

I believe the idea is feasible. The reasons are:

First, a company's assets will be differentiated from public-owned assets with the incorporation of a legal person as a clear dividing line will be drawn between such assets and other public-owned assets. Such a company will bear limited civil responsibilities over these assets (they can declare "bankruptcy" over them). The company system removes the basis which government administrative organs used in the name of property rights to intervene directly in enterprises. It provides the prerequisites needed to separate ownership from control (in our country it is known as "the separation of ownership and management rights") and enable administration by experts.

As the first step toward our incorporation of legal persons, we can divide existing state assets into share holding rights which will be held by the asset management departments (investment companies, companies which hold shares, and public-owned asset management bureaus) of governments at all levels who act as representatives. On the whole, this type of limited share holding company, which focuses on share holding by asset management departments of governments at all levels, is capable of "separating the two types of authority"—government ownership and administration by experts. However, the government's main economic role is to regulate the operation of the entire national economy. If the government acts on behalf of state-owned property, the maladies caused by direct government management of enterprises may resurface. Fair competition may also be prevented by the so-called practice of "sportsman and referee in one." Therefore, in our second step toward reform through the incorporation of a legal person, we should more thoroughly separate government from ownership functions, and further disperse share holding rights. In other words, other than state administrative organs, we should let more legal organs, such as intermediary finance organizations, insurance companies, trust and investment companies, old-age pension funds, common funds, and donor foundations hold shares on behalf of the masses. Before this—when we establish stock companies—we can sell rather substantive portions of state-owned shares to other enterprises (enterprises buying each others'

shares), to all types of foundations, and to individual residents. By doing this, we can transform state-owned enterprises, whose property rights are originally held by the government and which are managed directly by the government, into enterprises (companies) which are incorporated into legal persons. These enterprises (companies), whose chief task is to act as legal persons which hold shares on behalf of the masses and whose subsidiary task is to hold shares on behalf of individuals, will disperse share holding rights, permit free trading of share holding rights, and entrust the full management power to specialized personnel selected to run them.

Second, this idea will help shatter the conventional notion that favors the selection of either state or private ownership. It will lead to a new ownership system that stresses the primacy of public ownership while permitting the existence of multiple economic sectors. Entrepreneurial units, such as stock companies, may be allowed to operate in accordance with rules designed to maximize returns on company-type legal persons. The identity and nature of the capital contributor (shareholder) is irrelevant here. A new practical mode of public ownership may be instituted if these units are transferred to the communally based ownership system. Some people think the maintenance of state-owned and state-run enterprises under the conventional system is the only way to consolidate socialist ownership. However, experience has disproved this thinking. Over the past few years, we have made little progress in reforming the state sector's ownership system. This is precisely the reason for the state sector's sagging efficiency and declining economic status—a point that proves the unfeasibility of tenaciously adhering to the conventional system. We should update our system by transforming the practical mode of public ownership without altering its dominant status. To be sure, our understanding of public ownership changes with the times. In reality, current concepts regarding public ownership greatly differ from those during Karl Marx's time. The Marxist version of public ownership specifically refers to joint ownership by all members of society that is by no means exclusionary. The exclusionary collectives of some laborers—20-30 households of them—were later included in the public ownership system. In light of this development, we obviously have reason to regard as publicly owned legal persons the above-mentioned funds, foundations, and financial institutions that hold property rights on behalf of the people in the socialist market economy.

Third, this idea will help eliminate the irregular share holding system that distinguishes between shares owned by the state and those owned by enterprises. This will inject an element of modernity into the share holding system during its formative stage, bringing it up to international standards. There is a notion that embraces government ownership as the main feature of the share holding system. According to this notion, competent organs will directly appoint senior personnel to manage government shares to ensure the nature of socialist state ownership. In reality, direct government ownership or

management will almost always lead to either of these two predicaments: little intervention can hardly assure the appreciation of capital while excessive intervention will not help the cause of separating government and enterprise functions. Consequently, the "father-son relationship" that has traditionally characterized government-enterprise relations is likely to persist.

Another notion favors partial share ownership by enterprises. I believe that this practice will upset relations involving property. Industrial enterprises have two types of interests. One involves "enterprises" in the broader sense. These enterprises refer to the legal persons themselves. Another involves "enterprises" in a more limited sense. They refer to people other than shareholders of enterprise-type legal persons (managerial personnel or all workers and staff members). This notion will give managerial personnel twin identities, as the masters of "enterprises" in the more limited sense and as the agents of "enterprises" in the broader sense. In such circumstances, managerial personnel are likely to accommodate the interests of "enterprises" in the more limited sense. They are likely to increase demands for so-called "residual interests" on behalf of the enterprises with which they identify themselves. This will hurt the interests of "enterprises" in the broader sense, which represent all shareholders. Experience gained from the development of stock companies shows that the practice of allowing company-type legal persons to hold their own shares can engender much malpractice. The laws of various countries impose stringent restrictions on this practice. Japanese business law explicitly outlaws this practice; U.S. business law allows companies to retain some shares when they increase capital, but it forbids the holders of such shares to exercise voting rights or claim dividends. In my opinion, we can adopt other measures to manage assets acquired through reinvestment with profits that our enterprises were allowed to retain in recent years. For instance, we may form "foundations of fellow workers" and allow them to hold shares arising from such assets in their capacities as legal persons. In an effort to foster a balanced relationship between capital contributors and high-level managerial personnel, it is advisable to forbid high-level managerial personnel from relevant companies serving as the statutory agents of "foundations of fellow workers."

After carrying out administrative reform in accordance with this principle, the ownership structure in China's socialist society will form a new pattern; individual, private, and collective economic sectors will be fully developed at the level of medium and small industrial and commercial enterprises; large and medium backbone enterprises of competitive trades will be transformed into enterprises of plural ownership with public ownership as the main form, and their shares may be freely transferred among various owners; and monopolistic departments, such as certain infrastructural departments, will keep more government ownership, but they should also adopt the share-holding system and separate ownership from control.

3. A Competitive Market System

A complex situation of division of labor and cooperation exists in modern enterprises of socialized large-scale production. When all enterprises operate independently, assume sole responsibility for their profits and losses, and are the main beneficiary themselves, how can they make their independent policy decisions meet the requirements for effective resource distribution? The only way is to take the market into account. In other words, they should consider the benefits of price fluctuation in making a policy decision which is conducive to the effective use of resources. This means that the basic regulator can be none other than the market.

The primary function of the market is to transmit information. Under the traditional system, economic information is transmitted vertically from top down, or from bottom up. Such information transmission is of high cost. The information transmission in the market economy is horizontal. The market information is transmitted to enterprises through price fluctuations. The price fluctuation is an indicator of the situation of production and sales. When the price of a product increases, consumers will strive to use less of it and the producers will strive to increase its supply, and vice versa. In this way, enterprises will be able to produce products according to market demand.

To make the aforementioned market function work, it is necessary to build not only the commodity and service (labor service) markets, it is even more important to build markets for other production factors, including the labor, land, and monetary (also known as financial) markets. The market economy's major advantage is its ability to effectively distribute resources. Therefore, various production factors, with changeable prices, must be allowed to move about freely among various departments and enterprises. Without the production factors market, the commodity market alone cannot perform the function of making effective resource distribution.

We must pay attention to one thing here—only free competition among the market participants can truly reflect the degree of resource shortages, and only the prices determined in such free competition can become the basic yardstick for measuring costs and economic returns, and harmonizing the interests of various economic entities. So, the market must be of a competitive nature. An ideal market is a completely competitive market, in which the enterprises accept the prices, none of them can manipulate the prices, and all economic entities have adequate access to the price information. Of course, such a completely competitive market does not exist, even in a modern, developed country. Most trades and professions are operating in an incomplete competitive market or monopolistic competitive market. Such a market is monopolistic to some extent, but it is known as the competitive market because it is basically competitive. A completely monopolistic market is definitely detrimental to effective resource distribution because it cannot provide a rational price

signal. For this reason, it is necessary to curb monopolistic tendencies and to ensure the competitiveness of the market.

This concerns the question of market order. To build a competitive market, it is not enough to just "open up" and lift administrative control. It is more important to "establish"—that is, to foster good market relations and establish a market order of fair competition. We should pay attention to two points here. First, to "establish" does not mean the establishment of a perfect market overnight. It means that a foundation for the framework of a market economy will be laid if the market possesses the factor of competitiveness, begins to operate, replaces the old mechanism of administrative regulation, and performs to some extent the function of effectively distributing resources. Second, it took several hundred years for the market to take shape spontaneously in old industrialized nations. However, during the shift from a controlled to a market economy in post-war Federal Germany and Japan, and in the course of building a modern market economy by newly industrialized economies, such as the "four little dragons" of Asia, they have actively assisted in the building of a market system; adopted legal means and administrative means to oppose monopoly and ensure a fair market competition; and strived to establish the values of a market economy characterized by equality among all exchangers. Their experience proves that if the government force is fully applied, it is possible to build the basic framework of a market economy in a short period, say 20-30 years. We should fully use their experience to accelerate the establishment of a market system in China.

Our country's current double-track pricing system violates the principle of fair deal and the values of equality among all exchangers in market. A very important principle for ensuring fair competition is that all market participants are equal regardless of their power and position. If administrative power is integrated with the buying and selling in the monetary economy, it will destroy the market force. So, a market is worse than none if it has been twisted by administrative power and becomes noncompetitive. During the economic development of some Third World countries after the war, the market was monopolized by the capital of influential officials, and in fact the normal market force was destroyed. In their superficial markets, bureaucratic special privileges and administrative interventions existed everywhere. Once a country is in that kind of a situation, modernization will be greatly delayed and it will be very difficult for the country to extricate itself for a long time. This is known as "India Syndrome," "Marcos Trap" of the Philippines, or "Latin America Phenomenon." In the course of building a market system, some confusions are unavoidable due to immature market and inadequate legal system. However, we should strive to prevent increased corruption from causing serious loss of efficiency or even social disorder.

4. A Macroeconomic Control System With Emphasis on Indirect Control

To the market economy's new structure in our country, to have only independent enterprises and a competitive market is not enough. We must also establish a necessary macroeconomic control system. We must exercise macroeconomic (overall) control and apply necessary government economic intervention to deal with "market failure." Only in this way can we ensure a steady and effective operation of market economy.

The developed market economy in Western nations shows that since the 20th century, it has become very noticeable that laissez-faire market competition cannot meet the needs of modern economic development. The fact that market has its inability and shortcomings has been universally acknowledged. So, the governments of those countries practicing market economy have no choice but to take up more responsibility, strengthen macroeconomic control, and intervene in economic activities in case of "market failure."

Generally speaking, a "market failure" will require macroeconomic control and administrative intervention roughly in the following fields: 1) Market regulation is an after-event regulation and it has a certain time-delay, between the feedback of price information and the production of a product as a result of the regulation based on the price. For this reason, a fluctuation, as described by the "spider web principle," usually takes place in the course of the regulation. This is especially conspicuous in the departments with long production time, such as grain production and livestock breeding. In order to reduce economic fluctuation and maintain steady development, the state should seek ways to improve the market system. In addition, it should also formulate long- and intermediate-range plans based on long- and intermediate-range forecasts, set certain objectives for future social and economic development, (such as GNP growth rate, inflation rate, unemployment rate, and import-export trade growth rate), forward policy measures to meet future challenges, provide information on current economic situation and trend of development, and provide guidance for enterprises and other economic entities to make their microeconomic decisions.

2) Some macroeconomic figures, such as total revenues and expenditures, total credit receipt and payment, and total foreign exchange receipt and payment, are of decisive significance for a market economy's steady operation. Nevertheless, these total figures cannot be set nor controlled by the market. In other words, they cannot be decided by the market force alone. They must be managed by the macroeconomic authorities concerned, such as the central bank and the Ministry of Finance, in accordance with the market trend and the needs of stabilizing economy.

3) The market function in making effective resource distribution will be damaged to a certain degree if the so-called external existence—benefits (external benefits)

and losses (negative external benefits) caused to outsiders by some economic activities—has not been taken into account in the computation of the costs of a product. In this case, it is necessary for the government to intervene and to handle the matter with administrative regulations or economic awards or penalties. As for the so-called "shared goods" which are of an extremely strong external nature and free for all to use, such as those for public order and national defense, their production is usually the responsibility of the society, not relying on the market force.

4) In trades where the scale of economies plays a significant role, there is a tendency for market monopoly, which in turn hampers the effective operation of market mechanisms and impedes the growth of efficiency. Therefore, it is an important government duty to check monopoly and unfair competition. The government should adopt judicial and administrative measures to prevent monopoly and maintain order in competition.

5) Fair distribution of income is a major social goal of socialism. However, markets alone cannot achieve this goal and cannot ensure relatively equal income distribution. Therefore, it is necessary for the government to implement correct taxation and income policies for maintaining fairness in income distribution and to set up a suitable social security system within the available economic means. We may as well say that to realize social justice through implementing a social policy with clearly defined goals is a major characteristic of the socialist market economy.

6) Unlike the relative static merits, an economy's relative dynamic merits cannot instantaneously reveal themselves in markets and cannot be brought into play through the spontaneous effects of market mechanisms. Therefore, the government should adopt industrial policies and create the conditions for utilizing such relative latent merits.

To developing countries like China, the state's role is even more important. First of all, in these countries, markets are underdeveloped and can hardly be brought into play. To stimulate the growth of markets, the government needs to conduct itself properly by stopping government intervention in microeconomic activities as soon as possible, while putting in necessary resources to energetically nurture markets. Second, developing countries need to swiftly accumulate funds to develop infrastructure and basic industries. These undertakings can yield high external benefits but low market profits, and hence cannot harness people's enthusiasm in investment. Therefore, it is necessary to rely on the powers of state undertakings. This is especially so during high growth and rapidly changing periods. In view of the aforesaid reasons, developing countries should on the one hand energetically develop markets, while on the other exercise strong state macroeconomic control and regulation and combine the latter with market mechanisms. Only by so doing can the economy of developing

countries grow rapidly. The success of a number of newly industrialized countries and regions since the end of the war can serve as models.

Of course, as the condition of each country's economic development is different, so are the contents and emphases of its macroeconomic regulation and control and the framework of its regulatory and control system. The British and U.S. system focuses on the management of demand while the postwar Japan has added the management of supply to management of demand. Then, in the light of China's special characteristics, what kind of a macroeconomic management system should we have?

In the case we adopt the dual method of management of demand and supply, we already have organs in the management of demand—mainly the financial departments and the Central Bank—which are in charge of the finance and taxation, currency, and income policies. However, we still need to set up organs for the management of supply—such as Japan's Ministry of International Trade and Industry—which can closely rely on markets in formulating and enforcing industrial policies, including policies on industrial structure and industrial organization. The organs exercising macroeconomic management formulate and enforce policies in five major fields; namely, the finance and taxation policy, currency policy, income policy, industrial structure policy, and industrial organization policy.

Under the general topic of market economy, the key component of the reform of the macroeconomic regulatory and control system is to change regulation through administrative orders to regulation by economic parameters. There are two kinds of economic parameters; namely, basic parameters (commodity prices) and regulatory parameters (tax rate, interest rate, and others). These two kinds of parameters can be further divided into three different categories: (1) Parameters set by markets such as commodity prices and service fees: They are generally dictated by markets, and the government cannot directly intervene. (2) Parameters decided by the government such as tax rate, budget, and state-issued bonds: They are generally decided by the government based on its own needs and under the premise of not undermining the principle of fair competition. (3) Parameters jointly decided by the government and markets such as the volume of currency supply, wage rate, interest rate, and exchange rate: They are generally regulated by the government based on the relations between supply and demand in markets. Previously some economists viewed that all economic parameters, including prices, could be regulated directly by the government. This, in fact, is an erroneous view. Except for the tax rate, all aforesaid parameters fall into the category of prices: interest rate is the price of capital, exchange rate is the price of our currency against foreign currency, and wage rate is the price of labor. The degree of state control and regulation over these parameters is varied. Of these, only tax rate can be easily controlled by the state. Under normal circumstances, the state cannot

directly control commodity prices but can indirectly influence them through other parameters; otherwise the overall system of comparative prices (price parity) can be distorted. In this way, we can see that if economic parameters of different nature are mixed together and controlled by the government as "economic levers," they will produce negative effects on market mechanisms and jeopardize the market system through administrative means.

Part Three

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[Third and last part of three-part article by Wu Jinglian (0702 2417 8834); from the book *Planned Economy or Market Economy*, published by the China Economics Publishing House, with "minor revisions" made for newspaper publication: "The Evolution and Practical Significance of a Socialist Market Economy"]

[Text] III. The Pressing Task of the Moment is To Build the Infrastructure of a Market Economy as Quickly as Possible

The establishment of a socialist market economic system calls for painstaking, hard work. Our major task for the moment is to strive for the establishment of the infrastructure of a market economy within the shortest possible time.

1. We Must First Complete the Infrastructure

People always say that economic restructuring is a massive, system engineering project. Due to the complexity of the modern market economic structure, there are a multitude of things to do in establishing a new system. Yet, the resources that could be allocated to the reform are limited. Therefore, it is impossible for us to expect quick success in the reform. Nevertheless, we also should not allow the present situation, in which the steady development of the national economy is seriously hindered by the coexistence of two different systems and the stagnancy of reform in the state-owned economy, to drag on for a prolonged period. Although we have said that we might need the efforts of one to two generations to establish a relatively developed market economy in China, this does not mean we also have to spend a several decades on the shift-over from a planned to a market economy. If we do it correctly, as a matter of fact, it is absolutely possible for us to complete such a transition and the building of a market economy's infrastructure within a relatively short three to five years.

What we described as the infrastructure of a market economy are the elementary parts (elementary organizations) and elementary operational laws (rules and regulations) that are prerequisites for the functioning of the giant machine of a market economy in disposing resources, as well as a support system needed for ensuring its smooth and steady operation.

The elementary organizations mentioned here include: (1) adequate industrial and commercial enterprises with clearly defined property rights and complete organizational structure; (2) a basic network of wholesale and retail markets; (3) well-organized and strong central and local organizations for collecting rents and taxes; (4) a banking system under which the central bank and commercial banks are separated and the administrative functions are completely divorced from enterprise functions; (5) the establishment of a social security system that incorporates collective reserve funds, insurance companies, and social relief organizations; and so on.

The elementary rules and regulations refer to, first, laws and regulations for regulating various economic relationships, such as property law, enterprise law, company law, and so on; second, various laws and regulations for establishing a market order, such as the fair competition law (antimonopoly law), trademark law, and patent law. On top of that, we should have specific rules for regulating and controlling specific economic behavior, such as the accounting law and costing law.

People tend to neglect the role of a support system necessary for maintaining the operation of a market system. In the absence of such a system, the elementary market organizations would be unable to function even if they were established. For instance, we need an adequate number of qualified lawyers and legal firms, accountants and accounting firms, real estate evaluation agencies, and the like to define enterprise property rights, carry out property rights trading, and carry out the normal functions of modern legal bodies (limited liabilities companies and joint-stock limited companies). Furthermore, all trade and lines of work should also set up their own autonomous organizations such as trade associations and professional institutes.

2. Arrange Reform Measures in Proper Sequence

Even if we want to build the infrastructure of a market economy, we still need to face the contradiction of not having adequate strength for the amount of work to be done. To ease this contradiction when advancing the reform, we need to, in the light of the degree of importance and urgency of individual reform measures, follow a principle of setting out with the basic tasks while taking into account the interdependency of different reform measures, and of proceeding in an orderly way and step by step without neglecting the speed of each step. In accordance with this principle, the ideas for implementing the reform are roughly as follows:

First, the major objective for reforming the enterprise system is to turn state-owned and state-run enterprises into independent economic entities that assume full responsibility for their profits and losses. Nevertheless, we need to go through several stages of development before we reach this objective: initially, we would implement a full financial accounting system to offset the enterprises' expenditure with income and link their rewards to profit made; then, we would separate the

government's economic regulation powers and property proprietary rights as well as divorce property proprietary rights from management rights, that is essentially separate the three rights of macroeconomic regulation, property proprietorship, and day-to-day business management; finally, we would set up joint-stock companies in which corporate bodies holding stock on the public's behalf play a major role and, complemented by individual stockholders, allow free transfer of stocks between different kinds of stockholders in an enterprise system commensurate with our social productive forces and favorable to the development of a modern market economy.

After 13 years of reform, our state-owned enterprises have more or less passed through the initial stage mentioned above. Now, we should devote major efforts to advancing enterprise reform to the second and third stages.

It should be recognized that reform of the enterprise system is a complicated process. For instance, while every idea about joint-stock systems is linked with a certain form of stock market, the formation of the stock market itself hinges on how far the entire economy has gone in its transition to a market economy. Therefore, reform aimed at turning the enterprises into joint-stock companies should proceed in an orderly way and develop step by step, instead of taking short cuts in the hope of overnight success. I believe that we should first set up state-assets management agencies at all levels to carry out an appraisal of enterprises' fixed assets and circulating funds to gain a clearer idea of the present state of our state-owned assets. Today there is an inclination to recommend the buying, selling, or transfer of equities before the proprietorship or actual value of an enterprise's assets is made clear, and also to get impatient to set up a number of stock exchange markets even when the number of joint-stock limited companies meeting international standards is still insignificant and the first-level market (stock issue market) is still in the initial stage of development. Such actions will inevitably cause confusion. Secondly, we should step up efforts to establish joint-stock companies and get their regular operations started. During this period of time, we may carry out the establishment of such basic institutions as different kinds of funds, foundations, and insurance organizations in conjunction with the reform of the social insurance and security systems, and may transfer to pension funds and unemployment insurance funds part of large state-owned enterprises' assets in the form of stock. While receiving state-owned assets as gratuitous appropriation, these funds undertake to grant the share pension and insurance payments for which they are responsible. As such, the beneficiaries of the pension and insurance payments would become owners of the funds. These funds would set up councils and entrust the management of their assets to managerial personnel. There is now a great urgency to establish a social unemployment insurance system; in the absence of such a system, we will be unable to solve the production

security [as published] problems of unemployed workers and will thus fail to advance enterprise reform. The various kinds of fund should also be allowed to engage in investment as well as stock and bond dealing.

Second, it is necessary to follow the objective law on development in constructing competitive markets. We should first set up relatively complete domestic commodity markets, and then develop fairly comprehensive element markets, such as "land" markets (including real estate markets, mineral resource markets, and beach and lake resource markets), loan markets (including short-term loan markets or currency markets, and long-term loan markets or capital markets), labor service markets (including general labor force markets, technical personnel markets, and managerial personnel markets), and so on. There should be a sequence for developing element markets. For example, in developing a capital market, it is necessary to give priority to bringing into full play the intermediary role of the bank in setting up various long-term loan banking institutions and non-banking financial institutions, thereby establishing a capital market engaged mainly in indirect loans; meanwhile, it is necessary to gradually expand direct loans and allow enterprises to raise funds through the issue of stocks and bonds. In developing the stock market, there should be a sequence of developing first the issue market (class one market) and then the transfer market (class two market). The stock transfer market should be founded on the basis of a relatively complete stock issuing market and the sound [jian kang 0256 1660] operations of share-holding limited companies. If we do not concentrate efforts on the infrastructure but instead try to set up stock exchange markets elsewhere to promote reform of the share-holding system and develop the money market, then once the stock markets go into operation, prices of the small number of listed stocks will jump as a result of speculation. As speculation can yield quick and exorbitant profits, the chances are that the cost of engaging in production and entering into other industries will inflate. Attracted by possible colossal profits from speculation, people will no longer care about industry, thus creating a "hollow" or "bubble" economy. In the short-term, a "bubble" economy seems able to make speculators millionaires overnight; but, devoid of substantive added value as the material foundation of wealth, inflated stock prices drop sooner or later. The bursting of "bubbles" can have a strong impact on economic life. Therefore, in constructing the stock market, it is necessary to strive to set up a sufficient number of internationally standardized share-holding companies before normal stock transactions are conducted under the strict supervision of a stock exchange commission and with relatively complete legislation on stock exchanges. Otherwise, we can spoil things and cause waste or even confusion by excessive enthusiasm and imprudent behavior.

In nurturing markets today, we should work hard on the following areas: First, we should reform the pricing system and basically decontrol the prices of products

from competitive departments. Second, we should transform the former system of material allocation, commercial purchase, and distribution into a trade system, and we should set up a circulation system founded on commercial organizations that are able to compete with each other. Third, we should establish a market order based on the principle of equal competition and enact laws to protect fair trade and crack down on monopolies. Fourth, we should conduct publicity and education campaigns on the value concept of markets.

Of the work in the above-mentioned areas, pricing reform is the most basic and crucial step. Pricing is the core of market mechanisms. It is inconceivable that a socialist market economy cannot have a rational price parity system and a flexible system of price-setting by markets. The goal of pricing reform is clear to the majority of economists, with the exception of prices for certain farm products (such as grain) on which long-term protective prices should be enforced, and of the prices of certain public utilities and products of natural monopoly departments: Prices should be set or negotiated through government supervision, and prices of commodities in general should be decided by supply and demand relations in markets. This is because only prices born out of free competition can reflect the relative scarcity and shortage of resources and realize the function of effective distribution of resources. Therefore, pricing reform cannot be skipped; it is the first and most essential step. However, planned prices currently set by administrative organs constitute only about 30 percent of the total value of commodities. Therefore, realizing pricing reform is not a major obstacle.

In the current situation, it is no easy job to carry out price reform in an all-round way. We missed a golden opportunity to carry out price reform in 1990 and 1991 when the market slumped and demand was low. In price reform, we should adopt positive and prudent policies. As the macroenvironment for reform is not so broad and the resources that can be used for reform are limited, it is necessary to make a "cost-benefit analysis" of every reform project at every stage; priority should be given to carrying out reforms with low costs but high benefits. Viewed from this angle, I think that the prices of raw and semifinished materials, energy, transportation, and other means of production should be reformed first. This is because: On the one hand, they are indirectly related to the lives of the masses and affect the prices of consumer goods only through the effect of intermediate links, and as far as the effect of intermediate links is concerned, industrial enterprises can gradually absorb part of it, and the state can also adopt measures to regulate it. So the risk is relatively small in carrying out such price reform. On the other hand, rationalizing prices for the means of production can produce a very strong stimulating effect, conducive to strengthening budgetary restrictions for enterprises and practicing strict business accounting. Relatively speaking, the cost of reforming prices of the means of production is low, and its benefits are high. This is why we should reform those prices first. In

reforming the prices of general commodities and other essential factors of production, there is also a question of timing and sequence. Some comrades advocate getting around price reform while accelerating banking reform, especially developing the stock transfer market (second-level market) [er ji shi chang 0059 4787 1579 1034]. In fact, when prices are irrational, profits are meaningless: High profits may result from good management or from distorted prices; low profits may result from poor management or from discriminatory treatment in price. If enterprise profits are meaningless, it is even more difficult to explain an anticipation in profits; in such a case, it is also a problem to regulate the supply of funds with profits. Stock prices are an appraisal of profit anticipation. Before prices are rationalized, the stock exchange (first-level market) has still to develop to a certain extent, the number of standardized incorporated companies is limited, and the public has little knowledge of the financial conditions of those companies. In such circumstances, it is unrealistic to place too much hope on the stock exchange. Logically speaking, only when prices are rationalized will it be possible to rationalize prices for the essential factors of production. Of course, in the reform of many things in actual life, we cannot divide such reform into different, clear-cut stages; we should be flexible, not rigid, in carrying out reform.

Third, the reform of the macroregulation and control system also involves a question of timing and sequence. According to recent research, the reform of the financial and tax system should be synchronized with the reform of prices, and priority should be given to their reform. This is because only when a financial and tax system suited to the modern market economy is instituted can the state keep its sources of revenue stable in the period of reform, during which tremendous economic changes take place; only thus will it be possible to avoid a huge deficit and inflation and to maintain political and economic stability. At the same time, only when we institute a financial and tax system guaranteeing equal taxation for all economic sectors and embodying state social policy will we be able to strike a balance between efficiency and equality. Then we will be able to steadily reform the banking system on the basis of financial and tax reform.

The process of creating a new macroeconomic regulatory system, as mentioned in the preceding paragraph, is also a process of transforming government functions. During the initial stage, we should apply administrative means in certain areas to avoid a vacuum in macroeconomic management as a result of an incomplete macroeconomic regulatory system. We should phase out direct administrative means after the market system begins to show improvements. During this process, administrative departments should strive to acquire new know-how and professional skills in an effort to transform their functions speedily and steadily.

Previous statements suggest a progressive development process of building the three major components of the

foundation for a market economy. The three components can be built in different, mutually complementary phases. We can move in two stages on the key front. During the first stage, we should lay the foundation for a market economy in a relatively short period of time, such as three to five years, in an effort to promote market-driven national economic development. After a period of time—from 10 years to several decades—we should proceed to improve the market economic system.

3. Stronger Leadership Over Reform

The development of a modern market economy in a large Oriental country like ours with a population of 1.1 billion is a tremendous achievement that will shine through the ages. Our generation is historically responsible for accomplishing this unprecedented cause. A review of work conducted over the past six months—since the CPC Central Committee Political Bureau reached the decision to accelerate reform—reveals signs of swift responsive behavior among the rank and file, ineffective implementation by those in leadership positions, general posturing and exhortation in favor of a faster pace of reform, a lack of sound guidance and practical measures, and consistent vagueness regarding the general plans and goals for different phases of work. This situation highlights the necessity for further improving efforts to implement the Political Bureau's decision. During the current accelerated drive toward reform and openness, we must discourage empty rhetoric and encourage practical action aimed at earnestly implementing the reform program.

First, we must study and set specific intended models for our country's market economy. On the basis of these models, we should develop general plans and implementation programs for future reform initiatives.

During recent discussions, more than one economist highlighted the need to develop a modern market economy instead of selecting any type of market system. This is an absolutely correct point. As I understand it, the so-called modern market economy should allow a certain measure of growth for independently operating business organizations, competitive markets, and a new macroeconomic regulatory and control system. Unlike the primitive market economy, we should not allow underdeveloped markets, widespread administrative interference, and economic chaos to reign in this type of economy.

Another point that merits mention is the wide array of modern market economies. Some of them are quite efficient, while others do not work so well. Some may be saddled with substantial defects. We should develop our own unique market economic system based on the merits of other market economies.

A popular economics course in today's world is the comparative study of the Anglo-American market economic model, the Asian-Pacific market economic model, and the German social market economic model. Quite a few people dislike the Anglo-American model. The

British economy went downhill in the middle of this century. Remedial action taken by the Conservative Government over the past 10 years or so has apparently failed to reverse the situation. In the past 20 years or so, the United States has appreciably lost its competitive edge, suffering the worst post-World War II recession in recent years. The prospects for its steady recovery remain elusive. This type of market economy is ridden with major defects, including those involved in both macroeconomic and microeconomic activity. For instance, it has led to poor macroeconomic management and regulation, low savings rates, limited technological progress, and the inefficient and slack management of large enterprises. People are analyzing the structural and cultural (such as individualistic values) factors leading to these defects. The Asian-Pacific model is exceptionally vibrant—a fact demonstrated first by Japan and then by the so-called “four little dragons” and “three little tigers” in the post-World War II period. This type of market economy differs from the old model in terms of business organization, fiscal and banking system, macroeconomic management by the government, and “administrative guidance.” Is this model really more efficient than its Anglo-American counterpart? Why is it more efficient? Economists have provided different answers to these questions. We should select a fairly sound framework in the preliminary stage of our current efforts to build our own market economy. To achieve this end, we must conduct an in-depth, comparative analysis of the economic systems of all the countries in question. This will help us accurately assess the strengths and weaknesses of the economic mechanisms arising from various economic models. Only by adopting this approach can we build our own, unique market economic model in accordance with our nation's historical, cultural, and particular political and economic conditions. On the basis of this strategy, we must take prompt action to devise general plans and various measures to implement further the reform program.

Reform planning had always been weak in China since the objectives were unclear for a long time and had been changed several times, and because the idea that reforms could only proceed experimentally and could not be planned in advance was widely held. During the 1987-88 period, the State Commission for Economic Restructuring once sponsored the study and discussion of intermediate-stage (1988-95) reforms, but the project was discontinued afterward. Since the CPC Central Committee Political Bureau made the decision to speed up reforms last March, it seems that no significant progress has been made in planning and design. Thus, we have yet to see a general plan or scheme of implementation. As any economic system is an organic system, we cannot design one in the same way we might select groceries casually in a supermarket; we must make sure that all parts to form an economic system are coordinated. Currently, all regions and departments are on their own. This state of affairs must be changed immediately.

We must also have a powerful command center and an organ to organize the execution of the scheme.

While building a new system, a great deal of work has to be done in all sectors, and operations in various sectors must be closely coordinated. Thus, there must be an authoritative organ to take charge of the coordination. Moreover, since the restructuring of the economic system will inevitably affect the pattern of vested interests, the project will certainly encounter all kinds of problems and resistance, and all the reform measures cannot be carried out without surmounting obstacles through organized effort. This is especially so when the current reforms have reached a deeper level. The reforms in certain sectors—such as defining property rights, determining the mode of managing public assets, and establishing a new fiscal and tax system and a new monetary system—cannot possibly be achieved from the lower to the upper levels spontaneously; they must proceed under the leadership provided by an authoritative state organ. All this shows that a strong and high-level authoritative organ is needed to coordinate and enforce the entire engineering project of reform. If all regions, departments, and units are allowed to do whatever they want and proceed in whatever way they like, there will be serious coordination problems, the cost of reform will certainly increase, the formation of a centralized market will be delayed, and the take-off of the entire national economy will be obstructed.

We should be particularly aware of the fact that the masses are greatly encouraged by the call for expediting reforms, and that they are eager to see that the modernization drive will proceed by leaps and bounds. However, there will not be a solid foundation for the modernization drive to reach a new stage if economic reform fails to make substantial headway, if the establishment of a new economic system is sluggish, and if economic efficiency fails to improve noticeably. If the progress of reform cannot pick up speed in time, and state-owned enterprises—the nation's economic mainstay—fail to radically replace their operating mechanisms, the basic departments, which are not physically sound themselves, will find it difficult to support sustained economic growth. In such circumstances, high economic growth is apt to trigger “over-heated” economic development and inflation. If this situation occurs, the good momentum in the nation's economic growth, reform, and opening up is likely to be thwarted. To avoid such a scenario, high-level authorities must shoulder the responsibility of coordinating and organizing reform so that it can make substantial headway within a short time, and so that the foundation for a socialist market economy can be built as quickly as possible.

Article Urges Stabilizing Money Supply, Market

HK1011013192 Beijing ZHONGGUO JINGJI TIZHI
GAIGE in Chinese No 10, 23 Oct 92 pp 22-23

[Article by Qin Hai (4440 3189) of the State Information Center Research Office: “Stabilizing Money Supply and Market Is a Task of Top Priority”]

[Text] China's pace of reform and opening up has been markedly quickened since the beginning of this year, with the national economy entering a stage of high growth rates on the basis of a comprehensive pickup last year. In the course of converting government functions and enterprise operational mechanisms and nurturing a socialist unified market, the old structure's restrictive forces have correspondingly weakened.

Macroscopic Economy's Operational Characteristics and Momentum in 1992

1. Sustained high growth rate in industrial production.

The high economic growth rate this year remains the same as in the past few years, and the high growth rate in industrial production is the main form of high economic growth. A preliminary estimate shows that the accumulated gross industrial output value at and above township levels nationwide was 2,035 billion yuan in the first eight months of the year, up 20 percent over the same period last year. The industrial growth rate of coastal and border provinces and regions exceeded the nation's average growth rate. Statistics at the end of August showed that the industrial growth rate in Jiangsu was 33 percent; Hainan, 30.4 percent; Guangdong, 28.1 percent; Zhejiang, 26.7 percent; and Guangxi, 26.3 percent. The industrial growth rate in such provinces and municipalities as Anhui, Shandong, Fujian, Jiangxi, and Shanghai were also higher than the national average. The four provinces and regions with growth rates below 10 percent were Gansu (9.1 percent), Shanxi (7.2 percent), Heilongjiang (5.1 percent), and Qinghai (1.2 percent). The industrial growth rate in other provinces was between 10 and 19 percent.

2. Investment in fixed assets continues to expand.

In the first six months of the year, investment in fixed assets in society as a whole was 219.972 billion yuan, up 29.2 percent over the same period last year; of which, units of ownership by the whole people increased 33.9 percent, units of collective ownership 63.4 percent, and investment by urban and rural residents 6.1 percent. By the end of July, investment growth by units owned by the whole people was already 35.6 percent. What is notable is that investment in capital construction rose 28.5 percent, technological transformation 42.5 percent, and housing 84.2 percent.

3. Total volume of retail sales embracing society as a whole is expected to break through 1,000 billion yuan.

In spending and the direction of residents' cash income this year, two characteristics are noteworthy. First, part of the surplus purchasing power is turning to monetary investments, with quite great enthusiasm on the part of residents for investment in stocks, bonds, and real estate; and second, commodity consumption is rather stable, whereas consumption in labor service and culture is enjoying a rapid increase. In the first eight months of this

year, the total volume of retail sales embracing society as a whole was 694.39 billion yuan, up 14.3 percent over the same period last year.

The marked change in market demand this year is related to such factors as the quickening up of the pace of reform and opening up, greater vigor among commercial enterprises, residents' stable consumption psychology, a warming up of the rural market, and an increase in consumption by social groups. The total volume of retail sales embracing society as a whole is expected to be 1,087.5 billion yuan this year, up by 15.5 percent from last year, a historical high.

4. There have been some increases amid stable market prices.

The retail price index across China in the first six months of the year rose 5 percent over the same period last year, of which there was a 9.4 percent rise in urban areas and a 2.9 percent rise in rural areas.

Since the beginning of this year, the government has presented several major price-readjustment measures one after another for grain, crude oil, coal, and railway freight; various places have continued to lift price restrictions on a large number of commodities; and, aside from a "pickup" in price adjustments last year and grain price adjustments this year, fresh market price rises have been steady. Judging by present conditions, price levels for the year will maintain stability with a slight rise, which is estimated to be controlled at around 6 percent. However, it is advisable not to be blindly optimistic about the market price situation, for the range of price rises in service trades is likely to be increased because of costly expenditures in market transactions. It is necessary to pay close attention to the role of the development of tertiary industry in guiding and diverting consumption, while easing various factors for potential market price rises.

5. Imports and exports enjoyed sustained and steady growth, while taking on a pattern of the import growth range being higher than exports, and foreign exchange reserves being reduced somewhat.

Statistics from the Ministry of Foreign Economic Relations and Trade show that the volume of foreign trade in the first eight months of this year was \$46.03 billion, up 19.6 percent over the same period last year; the import volume was \$28.35 billion, up 36.1 percent.

Summarizing the aforesaid operational conditions in the national economy, a pattern of a basic balance in aggregate supply and demand can be maintained across society; however, China's GNP will exceed 2,000 billion yuan for the first time. It is estimated that annual economic growth will be 10 percent or so, which is higher than the 7.7 percent in 1991, the 5.7 percent in 1990, and the average growth rate (9 percent) in the 1980's.

Judging Potential and High Rate of Economic Growth

Judging the present situation in economic operations and the manner of economic growth, the recovery in production capacity as a consequence of the three-year improvement and rectification may account for 1992's economic growth. During the three-year improvement and rectification, China's economic growth rate was relatively low; with such rate as a base, naturally, 1992 will see a rather high growth rate. Corresponding economic operations and developments show that potential production has not been given full play, because demand for capital products has had a direct effect on the production process and is of a greater magnitude than the pull of consumption demand and the corresponding weakening of the market's marginal rate of substitution. This being the case, it will not give full play to potential production capacity; thus, a realistic economic growth rate can be summarized as that economic pickup resulting from a new round of reform and opening up. Fully tapping potential production capacity calls for the combination and shaping of a whole range of reforms in various arenas. It is necessary to push omnidirectional reform measures, starting with converting government functions and enterprise operational mechanisms and building a unified market system; however, all this may not be sufficient to give full play to productive potential. More importantly, it is imperative to implement this package of reformative measures for economic behavior and structure and in the course of accomplishing economic returns, while standardizing government intervention to promote the standardization of enterprise behavior.

Thus, we come to the judgment that China's economic operations and development have achieved rather high economic growth rates, which, however, should be regarded as a component of the recovery in China's economic operations, but not as a marked signal of China's economic development entering a stage of high economic growth.

Stabilizing the Money Supply and Market Is a Pressing Matter at the Moment

Viewing the known and predicted state of economic operations, we find some deep-level problems hidden in macroscopic economic operations, which call for our serious attention to meticulously conduct macroscopic economic administration and comprehensive operations with various wide-ranging measures to deepen reform with ease.

- Although there is vigor amid stability in the market and price situation, the potential pressure for market price rises is gradually increasing. Judging from the present market price situation, the range of the rise in the general index of retail prices this year will be controlled at 6-8 percent. With the acceleration of China's economic growth, the characteristic of the general price level being pulled by demand will gradually make itself felt. How to ease and dissolve these hidden inflationary pressures today and tap potential in the production process in the course of circulation calls for our great attention.
- The phenomenon of "bottleneck" restrictions is getting increasingly conspicuous with each passing day. In a period of high economic growth in China, periodic "bottleneck" restrictions always surface and find specific expression as follows: backward infrastructure and slow growth in the production of energy resources and important raw materials, which lags behind overall economic development and is directly affecting the period of economic expansion surfacing in China today.
- There are hidden inflationary pressures resulting from inputs of credit and money. Viewing the present scope of loans and money inputs, the accumulated potential for inflation resulting from currency in circulation has strengthened markedly. If inflation is making itself keenly felt, a new round of inflation is characterized by a dual demand pull and cost drive, which is nothing like the previous round of inflation, which was directly sparked off by demand pull. This being the case, stabilizing the money supply and market is a task of top priority.

Central-South Region

Guangdong To Accelerate Creating Market System

OW1011102392 Beijing XINHUA in English 0813
GMT 10 Nov 92

[Text] Guangzhou, November 10 (XINHUA)—Guangdong is to accelerate the pace of building a socialist market economy in a bid to catch up with the Asian "four small dragons" (Hong Kong, Taiwan, Singapore, and South Korea) in twenty years, an aim set for the province in the 14th National Congress of Chinese Communist Party.

Xie Fei, member of the Political Bureau of the CPC Central Committee and party secretary of Guangdong, said this at a provincial meeting.

He attributed the high-speed development of Guangdong in the past decade to bold introduction of the market system, which needs further improvement in the coming years if its economy is to be brought onto a new stage.

He called for complete removal of monopoly and regional barriers in order to promote the free flow of various goods and production factors, and to form an urban-rural common market.

Besides the consumer goods market, he said, the province will open capital goods markets, wholesale markets, futures markets and specialized markets at different levels so as to form a market network that will have close ties with other parts of the country.

Meanwhile, the province will step up the development of the markets of personnel and labor, technology, information, labour and real estate. All cities in the province should set up service centers to meet the growing needs of the economic development.

For the present, the party official said that the province will give emphasis to develop financial markets. All the banks should become independent economic entities and compete on the market.

The party official said that the province will also permit more foreign banks to open offices in Guangdong and the province will make efforts to set up regional non-bank institutions to form a financial network, to complete security market to expand issue of securities and shares. [sentence as received]

He emphasized that the market system in Guangdong should be an open one so as to link up both the domestic and foreign markets.

In addition, Guangdong is to renew its traditional and main industries by enlarging ways and forms of using foreign capital and taking in advanced technology of transnational companies. Enterprises will expand export by producing according to international standards.

First Share-Holding Bank Opens in Guangdong

OW1011102592 Beijing XINHUA in English 0741
GMT 10 Nov 92

[Text] Guangzhou, November 11 (XINHUA)—Reforms of financial institutions in Guangdong Province has brought forth the first share-holding bank in China—the Guangdong Development Bank.

This is the first such bank in China.

The bank boasts of such major share holders as, various specialized banks in Guangdong Province, Hong Kong Yuehai Business Corporation, Hong Kong China Bank Group and many other large enterprises.

The registered capital of the bank is 1.5 billion yuan. Its total savings deposits by the end of 1991 amounted to 5.37 billion yuan, an increase of 134.5 percent over the previous year. The amount of loans it issued climbed to 7.43 billion yuan, an increase of 77.7 percent, and the profits it made reached 280 million yuan. By the end of August this year, the bank's capital rose to more than 17 billion yuan.

The bank set up its headquarters in Guangzhou and has 20 branches spreading all over Guangdong Province.

The bank has been energetically opening up such businesses as foreign exchange deposits and loans, import and export settlements, foreign accommodation and guarantee. It has established agency relationship with more than 80 banks in 17 countries and regions. Its foreign exchange deposits in 1991 was 288 percent more than in 1990 and the foreign exchange loans it provided was 193 percent more than in the preceding year.

It has provided financial support to a number of major projects and foreign funded enterprises, including a joint venture polyester film factory which is one of the 10 producing base in Guangdong, and another joint venture textile factory that made a profit of more than 5 million U.S. dollars and paid 26.46 million yuan tax.

The bank, together with Guangdong Science and Technology Bureau, provides research and development investment loan and risk investment to a number of technology research projects. Thanks to a 800,000 loan from the bank, China's biggest electronic ceramic electrical container producer was able to start its business.

The bank has also extended its operations to cover leasing, housing credits, securities transaction, real estate and gold, silver and jewelry.

North Region

Hebei Meets Gold Production Goal 2 Months Early

SK1011071992 Shijiazhuang Hebei People's Radio
Network in Mandarin 2300 GMT 9 Nov 92

[Text] As of 1 November, Hebei Province turned out 180,477 liang of gold, fulfilling the state assigned plan

two months ahead of schedule and showing an increase of 11 percent over the same period of last year.

Northeast Region

Heilongjiang Secretary Attends Company Ceremony

SK1011092592 Harbin Heilongjiang People's Radio Network in Mandarin 2200 GMT 9 Nov 92

[Text] The Heilongjiang (Rongyuan) Company Ltd., the first Heilongjiang company to have its stock owned mainly by enterprise staff members and workers, was inaugurated at Daqing city's (Linyuan) Oil Refinery on 3 November. Sun Weiben, Ma Guoliang, Chen Yunlin, and Qi Guiyuan as well as leading comrades of Daqing city and pertinent provincial departments attended the inaugural ceremony.

The (Rongyuan) Company Ltd. is a company whose stocks are owned mainly by enterprise staff members and workers. Its registered capital is 30 million yuan, of which 65 percent is owned by staff members and workers at the (Linyuan) Oil Refinery.

Investigates Daqing Economy

SK1011070092 Harbin Heilongjiang People's Radio Network in Mandarin 2200 GMT 9 Nov 92

[Text] After concluding its field investigations on Daqing's economic development, Sun Weiben, secretary of the provincial party committee, pointed out that Daqing should play a leading role in Heilongjiang's third economic leap. He urged Daqing to learn and strive to allocate its resources in line with the market economy, establish a market economic system, and use prices as a lever to allocate the resources in such a way that they create the best economic results.

Sun Weiben said: While maintaining high and stable oil output, Daqing should make active efforts to promote the market economy and develop its potential. By deepening reform, opening up wider to the outside world, and tapping potential, Daqing should transform its operating mechanism and link itself to the domestic and the world markets. It should tap the potential for developing the various sectors of the economy, the substitute industries, and the county economy. It should take the road of multilevel development and create a situation in which the follow-up and substituting industries of the petroleum and petrochemical industries and the county economy develop simultaneously. It should concentrate efforts to build the Daqing high- and new-tech industrial development zone well and turn it into a base for Daqing's economic development.

Sun Weiben said: We should support and develop the intensive processing of petroleum and take advantage of the time when oil resources have not declined to learn how to

greatly develop petrochemical industry from Jilin Chemical Industrial Company and how to greatly diversify production from the Shoudu Iron and Steel Complex.

Sun Weiben said: We should pay attention to using market economy methods to solve problems arising in the process of transforming the operating mechanism. We should have the courage to conduct experiments to accelerate development. We should greatly emancipate our minds to promote large-scale cooperation between Daqing city's petroleum and petrochemical enterprises, build markets for petroleum and petrochemical products, and establish associations.

Ma Guoliang, deputy secretary, and (Zhang Housheng), secretary general of the provincial party committee, accompanied Sun Weiben during field investigations.

Former Liaoning Secretary Shen Yue Dies

SK1011123692 Shenyang Liaoning People's Radio Network in Mandarin 1030 GMT 9 Nov 92

[Excerpt] After failing to respond to medical treatment, Comrade Shen Yue, a faithful communist fighter, a long-tested outstanding Communist Party member, former secretary of the Liaoning Provincial CPC Committee, and vice chairman of the provincial advisory commission, died at the age of 75 at 0714 on 27 October 1992 in Shenyang.

Northwest Region

Xinjiang Peasants Get More Freedom in Farming

OW0911150892 Beijing XINHUA Domestic Service in Chinese 0136 GMT 8 Nov 92

[By reporter Ya Likun (0068 0500 0981)]

[Text] Urumqi, 8 Nov (XINHUA)—The Xinjiang Uygur Autonomous Region recently decided the following: All localities in Xinjiang are permitted to grow what makes money and what meets the market demand, as long as they fulfill their overall grain production quotas. From now on, the autonomous region will no longer issue any target directives with respect to grain crops.

According to forecasts by the department concerned, Xinjiang's total grain output this year is expected to reach 6.9 million tonnes, up 2.6 percent from last year. For a long time, Xinjiang kept issuing annual mandatory plans for projected grain crops, and the plan must be strictly followed with respect to the area of crops and total output. Since Xinjiang reaped bumper grain harvests for 15 consecutive years and freed itself from longstanding shortages of grain, cotton, and edible oil, the mandatory plan's defects have become more and more conspicuous by the day, and great difficulty in selling grain has obstructed rural economic development as well as the development of a market economy.

Official Wants 'Consensus' on GATT Membership*OW0911082792 Taipei CNA in English 0809 GMT 9 Nov 92*

[Text] Taipei, Nov. 9 (CNA)—Vice Economics Minister P.K. Chiang said over the weekend that government agencies and local businesses should quickly reach a consensus on the possible issues that might arise from the nation's accession to the General Agreement on Tariffs and Trade (GATT).

Chiang, who spoke Saturday upon his return from Geneva where he had attended the GATT Council Meeting last week, said, "The most crucial task now challenging relevant government agencies is how to make changes in order to meet the requirements of the world trade regulatory organization."

"Training of negotiation personnel also should be given a priority," Chiang added.

The working group appointed by the GATT council for negotiations over the ROC's [Republic of China's] entry into the Geneva-based organization met for the first time on Nov. 6.

The GATT secretariat general will complete collection of questions filed by its contracting parties about the nation's trade regime by Dec. 9.

The ROC, which applied for GATT membership under the name of "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu," is required to present a copy of written replies before the working group meets again in March.

Foreign, Overseas Investment Decreases in 1992*OW0711114692 Taipei CNA in English 0821 GMT 7 Nov 92*

[Text] Taipei, Nov. 7 (CNA)—Foreign and overseas investments between January and October declined 30 and 40 percent respectively, according to statistics released by the Investment Commission Friday [6 November].

The commission said that foreign investments here in the ten months totaled US\$1.06 billion, down 31.57 percent from US\$1.55 billion last year.

The electronics manufacturing industry had the sharpest decline of 52.69 percent from the same period last year, while finance industry is the only industry that has shown a growth at 35.35 percent.

Overseas investments totaled US\$810 million in the ten months, down 42.91 percent from US\$1.43 billion last year. While all other industries have been in decline, trade alone increased by a whopping 98.2 percent.

Taipei To Discontinue Drift-Net Fishing in 1993*OW0911084092 Taipei CNA in English 0820 GMT 9 Nov 92*

[Text] Taipei, Nov. 9 (CNA)—The Republic of China [ROC] on Taiwan will stop drift-net fishing in line with the United Nations' established policy, Tsai Ding-pong, head of the Drift-Net Fishing Development Team of the Taiwan Tuna Fishing Association, said Sunday [8 November].

In order to protect maritime resources, the United Nations has adopted an international moratorium resolution to ban fishing with drift-nets worldwide next year.

Tsai said Taiwan is now phasing out the drift-net fishing vessels and recovering the old fishing vessels under its own policy, which will not be affected by the US sanctions bill.

US President George Bush signed into law last Monday a measure ordering trade sanctions against any countries fishing with drift nets in the north Pacific Ocean next year and extending the penalties to the North Atlantic in 1994.

If the US sanctions on fish products and sport fishing equipment from the nations which continue to use drift nets prove ineffective, the new law authorizes the President to impose additional sanctions on other exports, including televisions and cars.

Tsai said Taiwan fishing industries are concerned about it.

'Money Power Politics' in Upcoming Elections*OW0811121992 Taipei CHINA POST in English 4 Nov 92 p 4*

[Editorial: "About Money Power Politics"]

[Text] Some ruling and opposition party candidates, who are adopting an anti-money power politics persona in their campaigns for the Dec. 19 legislative elections, seem to have succeeded in taking the pulse of the public's attitude.

In a first pre-election survey of 1,067 potential voters conducted in late October by the Public Opinion Research Foundation, more than 70 percent believed that money-power politics has become a problem of serious proportions in Taiwan.

Additionally, 67.8 percent of the respondents feared that the problem could become worse, should the candidates backed by conglomerates get elected to the Legislative Yuan (Parliament) and use their legislative role to press the government for special interest favors.

As many as 52 percent of the people questioned in the survey said that they would never vote for those two kinds of candidates in the coming election, apparently for the same reason.

These survey findings unequivocally reflect how the public now feels about politics and businesses in Taiwan.

But still we need to draw a line between money-power politics and the right of businessmen to run for public offices so we can better address these issues.

Certainly, there recently seems to be a growing number of cases in which businesses use their financial power to win construction projects as well as influence elections and government policies, and this provides cause for concern.

But it is unjustifiable to oppose businessmen participating in government just because of concern about their growing influence on public policies.

Businessmen, like any other ROC [Republic of China] citizens, have a constitutional right to run for public office as long as they are otherwise eligible to do so.

Also, businesses have a need to send representatives to the legislature to protect their interests, just like people from other professions or any other groups of common interest wants to have delegates there to speak for them.

Some blame the ruling Kuomintang (KMT) for nominating too many wealthy businessmen as candidates for the legislative, and charge that their selection was dictated by a winner-take-all policy.

This charge neglects political realities. With growing public interest in political participation and surging costs for everything, elections now in Taiwan are not only fiercely competitive, but also exorbitantly expensive.

Businessmen can afford to finance costly campaigns, have large numbers of employees and customers as their potential campaign supporters and thus have the best chance of winning.

With these advantages, the KMT had no reason not to nominate businessmen as candidates, provided they were interested in running for legislative office and met all of its nomination qualification requirements.

It is not uncommon for rich businessmen to join government either by election or appointment, in many Western democracies. The famous Kennedy and Rockefeller families of the United States are two good examples of this.

Another political reality neglected by many is that the ruling KMT must try every legitimate method to win a controlling majority in the Legislative Yuan, which will have all seats open to election for the first time in many decades in order to ensure Taiwan's continued stability and economic prosperity.

Sustaining that important well-being relies on the KMT to continuously pursue its current pragmatic policy of maintaining non-confrontation relations with Communist China.

If the KMT fails to gain a comfortably large number of legislative seats or even loses a majority control in the Yuan to the opposition Democratic Progressive Party (DPP), Taiwan's stability would certainly be in jeopardy.

For the DPP will have a stronger mandate to push its long advocated policy for Taiwan independence. Such a development will undoubtedly strain the island's still fragile relations with the mainland.

It could even invite military intervention from Beijing, because the mainland communist leaders have threatened repeatedly in the past that they would not hesitate to use force against Taiwan, should this island declare independence from all of China.

Back to the problem of money-power politics—we have to address this issue in a fundamental manner. First, Taiwan needs to adopt campaign finance reforms to regulate political contributions and to ensure that all talented people who want to run for office can do so, even without possessing large financial resources.

Secondly, it is necessary to establish legislation to govern relations between corporations and government officials, including legislators, to prevent bribery.

Additionally, a set of regulations to require government officials and politicians to disclose their personal assets as a step towards preventing them from taking bribes or seeking unjustifiable financial gains should also be in order.

It is hoped that all candidates—whether ruling or opposition—who now promise to fight money-power politics, will not forget their pledge and give priority to introducing campaign reform bills and push them through.

Kinmen, Matsu Islands Returning to Civilian Rule *OW071113792 Taipei CNA in English 0814 GMT 7 Nov 92*

[Text] Kinmen, Nov. 7 (CNA)—The off-shore islands of Kinmen and Matsu have begun returning to civilian rules, following an end to the state of emergency decree at 0 A.M. Saturday morning [7 November].

Interior Minister Wu Po-hsiung said, "The prospects of Kinmen and Matsu for development will be promising in the years ahead, and the well-being of residents on the two islands will improve significantly."

Free movement of residents on the two islands and business activity there had been limited since the emergency decree was first imposed 43 years ago. The two islands are only a stone's throw from the Chinese communist-controlled mainland.

According to the Kinmen Government's Draft Development Plan, tourism will become the most important source of Kinmen's revenues. But the present transportation difficulties will have to be solved, tourism agencies noted.

"This is a milestone for Kinmen. It is a major government decision to meet the needs of times," Lieutenant General Yeh Ching-jung of the Kinmen Defense Command said in a ceremony marking the handover to the civilian rule Friday.

The end to 4 [as received] years of the emergency decree ushers in the new era of local autonomy.

Yet the minister also stressed residents on the tiny frontline islands will have to assume greater obligation. From now on,

he noted, they have to pay tax and join military services as did their fellow countrymen in Taiwan.

Meanwhile, the Kinmen Defense Command indicated that despite the lifting of the martial law, the combat readiness on the island will remain unchanged.

Hong Kong

Criticism of 'Constitutional Package' Continues

Package 'Violates' Agreements

HK1011084692 Hong Kong TZU CHING in Chinese
No 26, 1 Nov 92 pp 10-13

[Article by Chiang Hai-tung (3068 3189 1350): "A 'Constitutional Package' Which Violates the Joint Declaration and Conflicts With Convergence With the Basic Law"]

[Text] Hong Kong Governor Chris Patten's 7 October policy speech evoked a new round of controversy in Hong Kong. The part about "the constitutional package" in the policy speech entitled "Our Next Five Years: Hong Kong's Agenda" was deliberately aimed at making major changes in Hong Kong's political structure and causing chaos in society. All this has evoked questioning and criticism from many organizations and people in all walks of life in Hong Kong. Although some residents of Hong Kong were misled by Patten's "political show" of "spreading money and offering the right to vote," more and more people have pointed out that Patten's "constitutional package" disregarded the reality of Hong Kong society, violated the Sino-British Joint Declaration, and failed to converge with the Basic Law. If he acts willfully, this will inevitably damage Hong Kong's prosperity and stability and the stable transition in 1997.

I.

By reading the policy speech, one may find that the essence of the "constitutional package" is to disregard the Sino-British Joint Declaration, drastically change Hong Kong's current political structure, neglect the need to converge with the Basic Law, undermine Hong Kong's smooth transition, and openly challenge Sino-British friendship and cooperation. Patten repeatedly declared that the package was "drawn up within the provisions of the Joint Declaration and the Basic Law" and that "all the proposals are in keeping with the Basic Law." However, even some newspapers that are not pro-China have pointed out in their columns that "Patten's constitutional package is aimed at thoroughly changing Hong Kong's political structure and one may find, after reading it carefully, that it goes beyond the Joint Declaration and the Basic Law." In fact, from the various actions taken by Patten in dishing out the "package" to the contents of the "package" itself, one can easily find the points which violate the principles and stipulations of the Joint Declaration and the Basic Law.

—The "constitutional package's" overall contents violate the relevant spirit of the Joint Declaration and the Basic Law and violate the basic principle that the development of the political structure in Hong Kong's late transitional period should converge with the Basic Law.

The Joint Declaration's first three points separately point out: The Chinese Government will "resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997"; the British Government will "restore Hong Kong to the PRC with effect from 1 July 1997"; and China's basic policies for Hong Kong will "be stipulated in a Basic Law" by the National People's Congress [NPC]. The NPC decision on the method for forming the first government and first Legislative Council [Legco] of the Hong Kong Special Administrative Region [SAR], which was adopted at the same time as the Basic Law, explicitly specifies that in 1996, the NPC will "establish a preparatory committee for the Hong Kong SAR, which will be responsible for preparing the establishment of the SAR and prescribe the specific method for forming the first government and the first Legco in accordance with this decision." To ensure a smooth transition, it also specifies that if the composition of the last Hong Kong Legco before the establishment of the SAR conforms with the relevant stipulations, its members may become members of the first SAR Legco upon confirmation by the SAR preparatory committee. This is the so-called "through train" arrangement.

Therefore, any action which disregards the relevant provisions of the Basic Law and the considerations in the formulation of these Basic Law provisions, and starts something different by playing tricks, is, in essence, a violation of the Joint Declaration and the spirit of converging with the Basic Law.

The preparations and method of forming the first government and the first Legco for the Hong Kong SAR are matters within China's sovereignty. The development of Hong Kong's political structure in the late transitional period can only converge with the abovementioned stipulations. Only this can ensure the "smooth transfer of government" required by the Joint Declaration. Things must not be set upside down with the British side unilaterally organizing the so-called "through train" and imposing its arrangements on the Chinese side.

—The package violates the principled provisions of the Joint Declaration whereby the two sides of China and Britain should "increase consultation and cooperation" and jointly "consider" major matters concerning the smooth transfer of government in Hong Kong.

The Joint Declaration makes it clear from the very beginning that the Chinese and British Governments "agreed that a proper negotiated settlement of the question of Hong Kong, which has been left over from history, is conducive to the maintenance of prosperity and stability in Hong Kong and to the further strengthening and development of the relations between the two countries on a new basis." The Joint Declaration's fifth point and its annexes specify the establishment of a Sino-British Joint Liaison Group to conduct consultations on the Joint Declaration's implementation, discuss matters related to the smooth transfer of government in 1997, and exchange information and consider measures to be adopted for the smooth transition in 1997. In

addition, the "Sino-British Memorandum of Understanding on the Construction of the New Airport in Hong Kong and Relevant Issues" also explicitly affirms that the Chinese and British Governments both hope to "increase consultation and cooperation" over the Hong Kong issue as 1997 draws near.

However, the British side did not begin to inform the Chinese side bit by bit of the key points of the "constitutional package" concerning the transfer of government and affecting the smooth transition in 1997 until shortly before it was made public. Even so, each time, the Chinese side still made explicit responses and repeatedly warned that major change which could affect Hong Kong's political structure should not be made public before consultation was conducted between the Chinese and British sides; otherwise, a round of open controversy would be invoked in Hong Kong and the Chinese side would not bear responsibility for this. However, Patten simply turn a deaf ear to the Chinese side's warning and made his "package" public without changing a single word. Obviously, Patten was bent on provoking an open dispute over the political structure issue and had no scruples in causing conflict between China and Britain and unrest in Hong Kong society. It should be pointed out that British Prime Minister John Major, Foreign Secretary Douglas Hurd, Foreign Office Minister Alastair Goodlad, and Chris Patten himself have repeatedly declared on public occasions that there is a need to consult the Chinese side on the issue of the 1995 Legco elections. However, Patten eventually took reckless action by disregarding the relevant provisions of the Basic Law, breaking the British side's promise, making his package public before consulting the Chinese side, and trying to influence public opinion to exert pressure on the Chinese side. This fully exposed his tricky and shift character as a politician.

—The major changes in Hong Kong's current political structure violate the Joint Declaration's principle of "keeping things basically unchanged."

The third and fifth points of the Joint Declaration's third provision specify that "the laws currently in force in Hong Kong will remain basically unchanged" and that "the current social and economic systems in Hong Kong will remain unchanged, as will the life style." In terms of legal principle, when the Chinese Government promises to keep these things "basically unchanged" in the Joint Declaration, this certainly referred to the basic systems existing when the Joint Declaration was signed. The two sides of China and Britain also reached an understanding on this in the talks. In the transitional period, the existing systems in Hong Kong, including the constitutional system, should be kept unchanged as much as possible. If something must be changed, it should be minor rather than major. The Basic Law more clearly and concretely expresses the principle of keeping things "basically unchanged" specified by the Joint Declaration and basically affirms and maintains the existing systems and patterns in such aspects as the relationship between

the executive authorities and the legislature; the formation and election form of the functional constituencies; and the functions and formation of district organizations. This fully demonstrates the Chinese side's sincerity for implementing the principle of "one country, two systems" and ensuring Hong Kong's prosperity and stability and its spirit of being highly responsible for the Hong Kong residents' fundamental interests. It also represents the Chinese side's commitment in continuing to maintain Hong Kong's status as an international financial, trade, and shipping center and taking care of the interests of investors from other countries, including Britain.

However, the "constitutional package" will almost completely change the existing overall political structure: Thoroughly separating the Executive Council [Exco] from the Legco; setting up a government-Legco committee; allowing Legco to decide its operation forms on its own, including the development of its committee structure; adopting the single vote, single-seat system; changing the formation and election forms of the functional constituencies; changing the nature and functions of the district organizations; discontinuing the appointment system for members of the district boards; setting up an election committee composed of all directly elected district board members to return 10 members to the Legco; etc. All these measures, no matter whether "effective immediately" or those forwarded as "proposals," will bring about, or have already caused, major changes in the existing political structure. By controlling the 1995 elections, a political structure which is not in keeping with the Basic Law provisions might be extended beyond 1997. This obviously goes against the Joint Declaration and the Basic Law.

—The major changes in the relationship between the executive authorities and the legislature violates the Basic Law stipulation on the "executive-led" principle.

The executive-led principle is important for ensuring the effective management of the government in Hong Kong and guaranteeing Hong Kong's economic prosperity and political stability. During the Sino-British talks on Hong Kong's future, the British officials repeatedly affirmed this characteristic of the existing political structure and hoped that it would be maintained. Briefly, in such an executive-led structure, the Hong Kong Government, headed by the governor, is responsible for administering the territory and formulating and forwarding policies and bills; at the same time, the Exco and Legco have been established to be the governor's consultative organs for policymaking and legislative affairs. The Legco has no special position. It is not an independent statutory organization to counterbalance the government and has no power to determine the development of its committee structure. Still less can its members decide the policies and bills which the government is responsible for formulating and devising.

The Joint Declaration stipulation on keeping things "basically unchanged" affirms the effective executive-led principle in Hong Kong's existing political structure. According to the Joint Declaration and Hong Kong's reality, the Basic Law more concretely specifies the executive-led principle. One can find in Basic Law chapter IV, provisions on the chief executive, the executive authorities, and the legislature that the basic political structure required by the Basic Law for the future Hong Kong SAR will still be an executive-led structure with the government playing a leading and dominating role and with the executive authorities and the legislature cooperating with and supporting each other through the division of work.

However, Patten's "constitutional package" goes against this principle. First, it tries to "develop the legislature into an independent organization to counterbalance the government" and to "give it the independence it needs to effectively represent the citizens." Second, it specifies that Legco "will be able to clearly and independently manage its own affairs" and "have the powers to develop its committee structure," thus giving the green light to the adoption of the Western-style committee system in Legco. Third, it plans to set up a "government-Legco committee" to which Legco members elect their representatives. This will not only raise Legco's status but will also offer a convenient channel to those who are bent on resisting the Chinese Government from entering this "nonstatutory body" which stands above both Exco and Legco. Fourth, the Hong Kong governor will resign from the Legco chairmanship and will be answerable to Legco in the role of a chief executive by making himself available on a regular basis to answer Legco members' questions, to discuss government policies, and to report on his major trips abroad and other important affairs. Thus, the chief executive and the executive authorities are put under Legco supervision.

All this goes directly against the Basic Law's concrete provisions on maintaining the executive-led principle and aims to shift the executive-led structure to a legislature-centered pattern in an attempt to turn Legco into the supreme organ of power and an "independent organization" which can directly challenge the chief executive and the executive authorities in the future SAR.

—Changing the election by functional constituencies into direct elections in various trades contradicts the form of "functional constituency election" specified by the Basic Law.

The arrangement for the functional constituency elections was first designed by the Hong Kong British authorities. In 1984, in its White Paper on representative government, the Hong Kong British authorities said: "Full weight should be given to representation of the economic and professional sectors of Hong Kong society which are essential to the future confidence and prosperity" so "they should be able to elect their representatives to serve in the Legco." The "guidelines" for determining the composition of these functional constituencies and

eligibility to vote in them are: "1) In the case of economic and social constituencies, these will be based on well-recognized major organizations, associations, and institutions with territory-wide coverage; and 2) in the case of professional constituencies, these will be based on membership of those professions with well established and recognized qualifications." The relevant election regulations were formulated in accordance with these guidelines.

The functional constituency election was suited to Hong Kong's special conditions and made up for the deficiencies in the direct elections and appointment system, achieving a balanced result. It was accepted by the people in Hong Kong. Therefore, it was explicitly affirmed by the Basic Law. The practice of the functional constituency elections in 1985, 1988, and 1991 showed that this was an election arrangement favorable in giving play to the role of the economic and professional sectors and ensuring the balanced participation of various sectors in society.

Patten's "constitutional package" trickily changes the concept of "functional constituencies" into "the entire working population of Hong Kong" and adopts the "one-person, one-vote" system in this aspect. This writes off the special meaning and role of the functional constituency election and changes it into "direct elections in various trades" for the whole working population. This obviously goes against the original purpose and relevant provisions of the Basic Law on arranging the functional constituency elections.

—Expanding the powers of the district boards and turning them into organizations with the power to decide the membership of Legco is not in keeping with the Basic Law provision on the nature of the district boards.

Article 97 of the Basic Law specifies that the Hong Kong SAR will set up "district organizations, which are not organs of political power but which will be consulted by the SAR Government on district administration and other affairs, or responsible for providing services in such fields as culture, recreation, and environmental sanitation." However, Patten's "constitutional package" expands the powers, functions, and budgets of the district boards; discontinues all appointed membership to them; and gives the directly elected district board members the right to form an election committee to elect 10 Legco members. This is, in fact, aimed at turning the district organizations, which are merely consultative bodies, into grass-roots organs of political power, completely violating the relevant Basic Law provisions. It is not hard to find that such a design in the "constitutional package" may turn the current one-level parliamentary system (the Legco) into a so-called three-level parliamentary system from the central to district levels, thus achieving the purpose of building a complete structure of representative government.

—The formation of the 1995 "election committee" for Legco violates the spirit of the relevant Basic Law

provisions and the NPC's decision on the method of forming the first SAR Government and the first SAR Legco.

The NPC's decision specifies that the first SAR Legco should be formed according to the principles of state sovereignty and smooth transition and the concrete method of its formation should be decided by the Hong Kong SAR preparatory committee in 1996. This shows that the method of forming the first SAR Legco is to be decided by the organ with the authority vested by the NPC and is not to be decided by the British side. Patten's "constitutional package" does not mention the authority of the SAR preparatory committee and only says that "the composition of the election committee for 1995 is not laid down in the Basic Law" in an attempt to take advantage of loopholes which will just get nowhere.

The Basic Law specifies that the election committee must be "broadly representative," and also specifies the composition of the election committee for the second and later Legcos. The representatives of district organizations together with Legco members, NPC deputies, and Chinese People's Political Consultative Conference [CPPCC] National Committee members will account for only 25 percent of the total membership. Although the method of forming the election committee for the first Legco is constrained by one more documents, apart from some variations in the seat ratios between the first and second Legcos, the procedures and methods of formation should be consistent. If Patten really wanted to see "convergence," he should have first consulted with the Chinese side on the composition of the 1995 election committee for Legco and should not have decided that it is "completely or mostly" composed of district board members.

—Increasing the number of Legco seats for direct election violates the Basic Law principle of "gradual and orderly progress."

Article 68 of the Basic Law specifies: "The method for forming the Legco shall be specified in light of the actual situation and in accordance with the principle of gradual and orderly progress. The ultimate aim is the election of all Legco members by universal suffrage." According to the principle of gradual and orderly progress specified by the Basic Law, the earliest possible time for electing all Legco members by universal suffrage will be no earlier than the fourth SAR Legco formed in 2007. That will still be a rather fast process of development for the Hong Kong SAR established in 1997. The pace of democratization will be much faster than that in Britain where it took 260 years to realize universal suffrage. However, the "constitutional package," without regard to Hong Kong's actual situation, turns the election by functional constituencies into "direct election in trades" among the 2.7 million working population and then turns the election by the election committee into "direct elections in districts" in disguise. Thus, it forcefully requires that all members of the last Legco before the establishment of the SAR to be elected directly or to be elected directly in

disguise. This may be the so-called "skill" and "creativity" Hurd praised highly. However, it was precisely such "skill" and "creativity" that made the last Hong Kong British Government thoroughly lay bare its anxiety for pursuing the representative government system. However, obvious facts prove that its scheme goes against the Basic Law's provisions and no politician can cover them up by means of sophistry.

Different tracks have made it impossible for the convergence. As the above shows, how can such a "democratic through train" "advance along the tracks laid by the Basic Law" since it is rigged up by things going against the principles and stipulations of the Joint Declaration and the Basic Law? People may just be afraid to see that the faster this train driven by Patten moves, the greater danger it is in of turning over.

II.

It should be pointed out that the "constitutional package" was never created through Patten's personal interest, nor was it a product of the so-called "democratic ideal." It just reflects a major change in the Hong Kong policy pursued by the British Conservative Government.

Before Patten took office in Hong Kong, John Major pointed out that the British Government's "most important task" in Hong Kong was to safeguard "freedom" and place this above the need to maintain stability and prosperity. As an unprecedented gesture, in his official residence, the prime minister received some "democracy champions" who openly burned the Basic Law, demanded a rewriting of the Joint Declaration, and openly called for the overthrow of China's legal government. After that, Goodlad said in Hong Kong that "the Basic Law can be revised." In his public speeches after coming to Hong Kong, Patten only talked about "extension" and did not mention "convergence." He also repeatedly flaunted his special relationship with Major by saying that he could talk directly to Major. Shortly after Patten made his first policy speech, Major issued a statement saying that he "completely agreed with the Hong Kong governor's policy orientation." Then, at the Conservative Party annual conference, Major called for giving Patten full support in his speech. Hurd not only issued similar calls but also published articles openly requiring the Chinese Government revise the Basic Law to "make things converge." After Patten read his policy speech, with the Conservative Party leader's support, Patten told the mass media: "China has no power to negate my proposals for quickening the pace of democracy in my policy speech;" "even if Beijing opposes them and the political structure cannot be kept, the program will still be put into practice"; and "even if Major steps down from power and the Hong Kong governor is changed, Britain will still not change this policy." Such perversity indeed aroused people's scorn.

From the British Government leaders' words and deeds to the governor's policy speech, people find that the

British side has no sincerity to make things converge with the Basic Law and they have long plotted to break Britain's promises in the Joint Declaration. Their aim is not only to impose a representative government structure on Hong Kong before 1997 but also to keep it "unchanged" in the 50 years after 1997, even using Hong Kong to further affect China and thus maintain Britain's interests and political influence to the maximum.

To achieve this, the British side played the "popular wishes card" and the "democracy card" and had no scruples about driving Hong Kong onto the path of confrontation against China. According to the British side's plan, if their package won the Chinese side's endorsement, they would carry out "reforms" according to the package and bestow democracy on Hong Kong people as the savior did; if the package encountered Chinese opposition, they could attach the label of "antidemocracy" to the Chinese Government.

In the past 150 years of British rule, Hong Kong has never enjoyed a scrap of democracy. Only after the Chinese Government decided to recover Hong Kong was an opportunity to develop democracy brought to Hong Kong. The Chinese Government constantly stands for developing democracy in Hong Kong and the post-1997 Hong Kong SAR will be much more democratic than it is now. However, to ensure prosperity and stability, democracy should make gradual and orderly progress and the development of the political structure should converge with the Basic Law. There is no way to attach the label of "antidemocracy" to the Chinese side. They should take heed that if anyone wants to repeat the old dream of the British Empire's decolonialization in other areas, his calculating must be wrong.

Maintaining Hong Kong's prosperity and stability and ensuring Hong Kong's smooth transition in 1997 represents the Hong Kong people's fundamental interests. The "constitutional package," which breaches the Joint Declaration and the Basic Law, will inevitably cause obstacles to the smooth transition and the smooth transfer of political power in 1997 and will inevitably affect Hong Kong's prosperity and stability, harming the fundamental interests of the Hong Kong people. Therefore, no matter what attractive "democratic" label it wears, it can never properly represent Hong Kong's real popular wishes. The British side's interests do not lie beyond the Joint Declaration, existing only within the Joint Declaration and the Memorandum of Understanding on the airport issue. If China and Britain continue their friendly cooperation and act in light of the two agreements, things will come into line with Hong Kong people's interests and also with the interests of both Chinese and British sides. There is not much time left for the British side to govern Hong Kong, so they should particularly cherish this period. There must be no shortsighted or gambling mentality and one's mind must not remain in the 19th century.

'Fatal Mistakes' Detailed

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7 Nov 92 p 4

["Special article" by Lin Chung-hsiao (2651 0022 2556):
"Chris Patten Has Made Some Fatal Mistakes"]

[Text] Since Chris Patten published his policy speech and provoked a dispute between China and Britain, the development of events has shown with increasing clarity that Patten has made some fatal mistakes in assessing the situation and making his judgment. The mistakes can be found in the following aspects:

First, he obviously underestimated the Chinese Government's determination to safeguard the Sino-British Joint Declaration and the Basic Law. Without regard to the Chinese Government's strong opposition, he unilaterally announced the "constitutional package" in an attempt to forcefully carry out his plan in the remaining four years of the late transitional period and to keep the political structure beyond 1997. He thought that China would swallow this bitter fruit or at least he could take this as the foundation for bargaining with China. However, Patten did not understand, or even deliberately ignored, what happened after China and Britain began talks on the Hong Kong issue. When he was still a junior politician in the British Conservative Party, the Chinese Government had showed a firm position and smashed "Iron Lady" Mrs. Thatcher's illusion of maintaining the three unequal treaties; when he still had little knowledge about international affairs, China and Britain had signed the Joint Declaration on Hong Kong's return to China and on a series of principled issues; and when he was still busy in his election campaign in his constituency, the Chinese Government had promulgated the Basic Law and then signed a new memorandum of understanding with the British Government on the new airport issue. Although it has been an eventful period these past 10 years, the Chinese Government has never made any concession and has always stuck firmly to its principled position on the Hong Kong issue. Patten turned a blind eye to these facts and flagrantly violated the Sino-British Joint Declaration and the Basic Law, openly challenging Sino-British cooperation. This was one of his fatal mistakes. Before he visited Beijing, some British Hong Kong Government officials boasted that "the governor's power to convince must not be underestimated." This just left him a laughing stock to all people.

Second, he made a serious mistake in assessing the domestic situation in China and Britain. During the last two years, some people in the West hoped that turmoil would occur in China so that they could take advantage of the opportunity to make inroads and loot a burning house. Some people even attempted to exert pressure by isolating China or imposing sanctions. Beyond their expectations, China's political situation became more stable before and after the 14th CPC National Congress, and China's reform, opening up, and economic construction developed more rapidly. China's future is bright.

Hong Kong's stock market has continued to be bullish in recent months, not because the investors were optimistic about Patten's "political reforms" but because they were optimistic about China's development. On the contrary, Britain's economy has remained in a recession for many years and its national strength has continued to decline. Recently, coal miners have staged strikes and there has been a split inside the Conservative Party. John Major's cabinet has been unable to fend for itself. China, on the other hand, is on the rise while Britain's economy is in the doldrums. The British side should be the one to gain more from friendly relations with China. It is a pity that Patten does not have the strength to support his attempt to create the image of a "powerful governor."

Third, he lacked an understanding of China's influence on Hong Kong's politics and economy. Hong Kong is certainly one of the bridges for the Chinese mainland's opening up to the outside world but, more importantly, the most important factor for Hong Kong's economic prosperity lies in its favorable geographical condition of relying on the Chinese mainland and also in China's political stability and economic development. Without the support of a strong motherland there would be no prosperity in Hong Kong. Hong Kong needs the Chinese mainland more than the Chinese mainland needs Hong Kong. The development of reform, opening up, and economic construction in China has further strengthened the Hong Kong compatriots' sentiments of identifying themselves with the motherland. It has also deepened Hong Kong's economic reliance on the Chinese mainland. Another fact that must not be neglected is that China has the superiority of sovereignty. No matter whether or not Britain is willing to cooperate, China is completely able to implement its policy of "one country, two systems," to implement the Basic Law after resuming the exercise of sovereignty over Hong Kong, and to maintain Hong Kong's long-term stability and prosperity. Therefore, some people's argument that China may hesitate to take action for fear of rocking the boat is completely deceitful. Sino-British cooperation is favorable to both sides but if Patten refuses to cooperate, Britain will be the first to incur losses.

Fourth, he wrongly assessed the wishes of the people and ignored Hong Kong residents' desire to ensure Hong Kong's smooth transition through Sino-British cooperation. Patten thought that so long as his "constitutional package" wore the guise of "quickening the pace of democratization," he would be supported strongly by the local community. In fact, most local residents have been indifferent to the package and increasing numbers of people have begun to doubt his real intentions. They have become wary and worried about the consequences of major changes in the political structure which will cause social unrest and have also expressed strong discontent with Patten's practice of using Hong Kong's future as a gambling chip in entering into confrontation with China. Given the choice between "political reform" and "smooth transition," most Hong Kong people will select the latter. As some political analysts pointed out,

with the development of the Sino-British dispute, public opinion will become more and more unfavorable toward the British side and there will also be division inside the establishment of the Hong Kong British authorities.

Fifth, he overestimated the influence of a small number of extra-rightists who flaunted the banner of "democracy." These people opposed whatever was related to or supported by China and tried every possible means to create chaos in Hong Kong. They have long betrayed the interests of the vast majority of Hong Kong people and are merely a group of politicians without any future. After Patten dished out his "constitutional package," they could do nothing significant but bang the drums for him and echo him. Some British people with insight said that over 90 percent of Hong Kong people did not cast votes for them and would not accept their political position.

Sixth, he did not know that the skills used by Western politicians would not be useful in Hong Kong. Patten, who spent several decades playing tricks in Britain's political circles, put on a complex performance as a politician in peddling his "constitutional package": He secretly concocted the package; suddenly took unilateral action in making it public; went everywhere putting on political shows; and went all out to play the "popular wishes card." However, the Chinese side coped with his shifty tricks by sticking to the fundamental principles. Many people in Hong Kong also held his political shows up to scorn. Patten's "political shows" did not achieve significant results, not just because his package was unwelcome but also because his politician's style of being perfidious was completely incompatible with oriental values and morals.

The abovementioned mistakes committed by Patten show that he lacked political foresight, had little knowledge about China and the Hong Kong issue, and was irresponsible regarding Hong Kong's future. If he still refuses to mend his ways and sticks to these mistakes, then not only is his "constitutional package" doomed to fail but he will also cause huge losses to Britain's interests in Hong Kong after 1997.

Locals Critical of Proposal

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[Text] Hong Kong, 8 Nov (XINHUA)—Personalities from various circles in Hong Kong have expressed their support for the National People's Congress [NPC] Standing Committee's criticism of the constitutional reform in Hong Kong Governor Chris Patten's policy address. They hold that the Chinese Government has the right to appraise and respond to major affairs in Hong Kong.

Leung Chun-ying, former secretary general of the Basic Law Consultative Committee, pointed out: In view of the changes in the objective environment, it is necessary for the Chinese Government to make a new appraisal on

Hong Kong's development in the next few years and to work out emergency measures to deal with possible changes, so that the phenomena of not being convergent with the Basic Law can be prevented, social stability and prosperity will not be affected, and so that a smooth transition in 1997 can be ensured.

Liu Yiu-chu, a deputy to the NPC, said it was entirely reasonable for the NPC Standing Committee to hold a meeting to discuss the Hong Kong issue and for Li Hou and others to lodge their criticisms against the Hong Kong governor. She said: On the basis of mutual understanding and mutual accommodation, China has discussed with the British Government concrete affairs concerning Hong Kong's transfer of power, the airport issue, and the formation of the election committee, both sides finally reaching agreement on these issues. The British side has now intentionally created excuses to revise or even to abolish some relevant agreements. China should take an uncompromising stand toward this perfidious act. Otherwise, the fundamental interests of the Chinese Government and the Hong Kong people cannot be ensured because any toleration will mean that China is willing to be bullied.

Tsang Yuk-sing, chairman of the Democratic Alliance for the Betterment of Hong Kong, said: The speeches made by Qian Qichen, Lu Ping, and the three speakers at the NPC Standing Committee meeting show that the Chinese Government has adopted a firm and definite stand on the Hong Kong issue. The crux of the problem is whether Chris Patten is willing to return to the track of the three reasonable principles to handle the issue concerning Hong Kong's constitutional development. The three principles are: to observe the Sino-British Joint Declaration, to converge with the Basic Law, and to abide by the agreements already reached by China and Britain.

Tam Yiu-chung, member of the Legislative Council, pointed out that the NPC Standing Committee discussion on the Hong Kong issue was the first time the Standing Committee had stated its position on this issue since the Basic Law was adopted. It shows that the Chinese Government attaches great importance to the convergence between various affairs in Hong Kong and the Basic Law after 1997. He was apprehensive that if, in future, the result of the Legislative Council's discussion on the constitutional reform proposal contravenes the position of the NPC Standing Committee, it will be harmful to Hong Kong's smooth transition.

Australian Senator Supports Governor's Package

HK1011034792 Hong Kong SOUTH CHINA
MORNING POST in English 10 Nov 92 p 1

[By foreign editor Richard Vines]

[Text] Australia's Foreign Minister, Senator Gareth Evans, last night made an outspoken attack on critics of Mr Patten's package of political reforms.

"We think that Governor Patten is right and that he should continue to go for it in terms of his particular package, notwithstanding the nervousness that has been generated at some domestic levels here and the reaction that's in evidence in China," Senator Evans said during a stopover in the territory.

"I had an earful on the subject from senior Chinese people to whom I've spoken in the last couple of days in Beijing along the general lines of, 'What is a colonial official doing talking about democracy?'"—to which I responded as robustly as you'd imagine an Australian foreign minister would in those circumstances."

Senator Evans said it was a pleasant change for a colonial official to promote democracy, and implied that Mr Patten was not going far enough. "There's no sense in which any kind of system of responsible government is being introduced. At best it's a more responsive form of government that is being proposed.... And it's simply not good enough for the Chinese to respond by saying this amounts to a violation of the Basic Law, the Joint Declaration and associated agreements. I don't think anyone seriously believes that it does," he said.

"If this exercise of greater democracy doesn't succeed, while there will be a number of people here who will breathe a great sigh of relief about that and see it in terms of their own future relations with China being much helped by that, I think there are many other people here in Hong Kong who will be deeply distressed about that, and we can reasonably expect to see pressures building up of a quite divisive and potentially explosive kind."

Senator Evans said Chinese officials who believed economic reform could go ahead without serious political liberalisation were simply ahistorical.

"They're not very good Marxists either. I always delight in reminding the Chinese that the political superstructure always follows from—and is determined by—the economic base, and that the process of political liberalisation is only a matter of time."

He said Australia fully supported the Governor. "I've told (Chinese Foreign Minister Mr) Qian Qichen and (Vice-Foreign Minister Mr) Liu Huaqiu, but we'll tell anybody who does or does not want to listen. I'm saying it now. Australia's position is quite unequivocal, quite open support for this particular package," he said.

Government To Move Ahead With Airport Site Work

HK1011025892 Hong Kong SOUTH CHINA
MORNING POST in English 10 Nov 92 p 3

[By Catherine Chan]

[Text] The Chief Secretary, Sir David Ford, last night told the territory's 19 district board chairmen that the Government would go ahead with the \$9 billion [Hong

Kong dollars] site formation work for the Chek Lap Kok airport—even without China's blessing.

Noting that further slippage on the reclamation work for the Chek Lap Kok site would make it impossible for the Government to complete the airport projects by 1997 as scheduled, Sir David said it could not be further delayed.

He made the comments at a dinner meeting with the district board chairmen.

The Kwai Tsing District Board chairman, Mr Leung Kwong-cheong, quoted Sir David as saying that if China did not give its approval before July next year the Government would have to think of going it alone with the massive project. Sir David reiterated that work on the airport should start by July next year at the latest if the new airport was going to be ready by 1997. If work could not start as scheduled, the completion date for the airport and the railway would also be delayed.

He said the Government would have liked approval from China before work started, but the site formation work could not be delayed any longer. The Government still hoped China would give its blessing when major works at the airport were due, he told the chairmen last night.

The current \$9 billion site formation contract becomes invalid at the end of this month.

Sir David said in a recent interview that the Government might have to take up China's earlier offer to go ahead with the airport site formation project, even though an overall agreement with the Chinese side on the financing of the plans had yet to be secured.

The offer was the solemn position of the Chinese side made public during the summer, he said.

The funding proposal for the contract is expected to be approved by the Legislative Council, as 30 legislators from the two major camps—the Co-operative Resources Centre (CRC) and the United Democrats of Hong Kong (UDHK)—have pledged their support.

A spokesman for the CRC, Mr Steven Poon Kwok-lim, said they would approve the funding proposal because the project did not call for borrowing, did not affect other public expenditure and was in line with the Memorandum of Understanding on the new airport projects.

The UDHK's spokesman, Mr Albert Chan Wai-yip, said it was better to let the project go ahead as it was uncertain when the British and Chinese governments would reach agreement on the financial arrangements for the airport projects.

At the dinner last night, Sir David told the chairmen that the Government respected their views. He added that the Government also had to take into account the views of the public.

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